

1

DAILY PRESS CLIPPINGS

/

Friday, January 29, 1993

from

Washington Post

Financial Times

Wall Street J ournal

New York Times

Christian Science Monitor

USA Today

Newsday

The Record

International Harold Tribune

Compiled and Distributed by:

Allied International Communications

445 Fifth Avenue

New York, New York 10016

Tel: (212) 922-0130

FAX: (212) 808-4839

m

FRIDA Y, JANUARY29, 1993

IsraePs Highest Court Upholds

The Deportation ofPalestin ians

U.N. Action and US. Reaction Are Now Awaited

By CLYDE HABERMAN

Spccxal to The New York Times

JERUSALEM, Jan. 28 - In a much

awaited decision carrying immediate implications for Israel's diplomatic standing and for the future of the Mid? die East peace talks, the Israeli High Court of Justice today unanimously validated the deportation of more than 400 Palestinians from the occupied territories to Lebanon.

Although the seven justices expressed reservations about some aspects of the Government action, they declared the mid-December mass expulsions to be legitimate and rejected appeals to bring the Palestinians back. The ruling, welcomed by the Government and denounced by Palestinian leaders and Arab countries, is likely to put Israel squarely on a collision course with the United Nations Security Council, which has condemned the deportations as a violation of international law and is poised to do so again. Question of UN. and US.

For Israeli leaders, a dominant question now is whether they can avoid United Nations sanctions, especially after Secretary General Boutros Boutros-Ghali recommended this week that the council take "whatever measures are required" to enforce its demand that the banished Palestinians be returned.

The decision upholding the deportation disappointed the Clinton Administration, which was clearly hoping that the court might relieve it of having to choose between voting sanctions against Israel or antagonizing the Arab states. The Bush Administration has already voted to condemn Israel for the deportations. lPage A9.1

Prime Minister Yitzhak Rabin expressed confidence that the Clinton Administration would block any attempt at using sanctions to bolster the condemnation. The Palestine Liberation Organization, for instance, has circulated a draft resolution to ban israel from human rights meetings and to prevent foreign companies from doing business with the Israelis in the occupied territories.

"The Struggle That Awaits Us'

At the United Nations, the P.L.O. said it had asked the nonaligned members of the Security Council to sponsor its resolution, which has been endorsed by all Arab countries. But Venezuela and Pakistan, two nonaligned members of the Council, said they wanted to avoid a United States veto

Despite Mr. Rabin's expressions of confidence, Gad Yaacobi, lsrael's rep-

representative at the United Nations, cautioned that the court ruling 'does not change at the moment the struggle that awaits us in the Security Council.' The court ruling also does not Change uncertainties about immediate prospects for the American-brokered peace negotiations, which are on hold with no date set for new sessions. Israeli officials have said repeatedly that they are sure that Syria and Jordan will show up. But Palestinian deler

THE NEW YORK TIMES, FRIDAY; JANUARY 29, 1993

,_Israel High Court Upholds Deportations
Continued From Page A1

gates insist they will boycott the talks until all the exiles are returned, not just the 19 who have been brought back in the last few weeks because of illness and mistakes in their expulsions.

While it is not the first time that the Palestinian representatives have threatened to stay away from the talks, all signs suggest that this time they , mean it. If anything, the High Court a decision reinforced the delegates' resolve. ttWe hold Israel responsible for the deadlock in the peace talks and for . the total halt to negotiations," said Hanan Ashrawi, spokeswoman for the Palestinian team.

" Exiles Are Adamant

,A At their makeshift camp in southern , Lebanon, the nearly 400 remaining Pal- . estinian exiles denounced both the court and Mr. Rabin as HNazis" and "terrorists." The banished men, must of them said by Israel to be members and sympathizers of the militant ls-lamic group Hamas, also rejected a , High Court call for procedures that would make it possible for them to appeal their expulSions to a special military committee on an individual basis.

The Palestinians have said any ap-peal would give the deportations legiti-, macy, and they reiterated that they would remain where they are, between Israeli and Lebanese Army check-points, until they are returned to the West Bank and Gaza Strip.

ttDo you have any other choice than return?" their leader, Abdul Aziz al-Rantisi, asked men gathered on a mountain slope near the tents.

"No! No! No!" they shouted.

Mr. Rabin rejected the Palestinians' assertions that the deportations, which had followed the killing of five Israeli servicemen by an armed wing of Ha-mas, were an obstacle to peace talks. The Israeli radio quoted him as saying that Israel udid not make continuing talks contingent on an end to terror" and that therefore ttit was inconceiv-able that the Arabs should make con-tinuation of the peace' talks dependent on the cessation of the Government's legal activities."

Given the fallout from the deporta-tions, some Israelis, both in and out 01 the Government, had hoped that the High Court might issue an order that could make diplomatic life easier for them. Mr. Rabin was decidedly not in this group, saying he did not seek any such assistance. /

Rabinls Position Hardens

In the last few days, his position has hardened, especially after Mr. Bou-tros-Ghali,s call for new Security Coun-cil measures. Interviewed on television

Wednesday night, the Prime Minister called it a twisted and repulsive re-
The future of the
peace talks may
be at stake.

port," and complained that international criticism was one-sided because it had focused on the expulsions and not on the Hamas violence that had led to them.

"I am not surprised by the report," he said. "Boutros-Ghali is an Egyptian."

Essentially, the court did what it had done almost unfailingly in past deportation cases, which had never involved anywhere near as many people at one time as in this situation: It did not try to undo a Government action taken in the name of national security, and said Israel had the right to expel people according to emergency regulations left over from the British Mandate in Palestine, before the creation of Israel in 1948.

Among those once deported by the British in the 1940's was Meir Shamgar, the Chief Justice who announced the High Court decision today.

The judges dismissed protests from Israeli civil-rights lawyers that the expulsions were not valid because, among other things, the Palestinians had been summarily removed to Lebanon without first being able to appeal the orders to a military advisory committee."

Those appeals can take place after the fact, the court said. Without elaborating on how it could be done, the court ordered the Government to enable the men to meet in safety with their lawyers. It is at those military committee hearings, the court said... that the Palestinians can make their argument that the expulsions violate the Fourth Geneva Convention of 1949, which lays out rules of conduct in occupied areas.

"Mr. Rabin's office said that to speed the hearings, the Army had begun setting up 14 appeals committees. According to the Israeli radio, the army was clearing ground near a Checkpoint in what Israel calls its security zone in southern Lebanon to create an area where lawyers and exiles can meet. For now, however, this effort would seem beside the point because the Palestinians say they will not bring an appeal

The one quarrel that the High Court had with the Government was with a special emergency order, written with an eye to eluding normal appeal procedures, that had authorized the expulsion of hundreds of people at one time by declaring it to be a "temporary removal" for no more than two years. Consistent With Past Rulings
The judges voided the order. But

they added that as a practical matter it made no difference because the Palestinians had also been expelled as individuals, and those orders were valid. The finding was consistent with their past rulings that the Geneva Convention had in mind Nazi-style deportations of entire peoples and not the banishment of specific individuals deemed to be security threats.

%

M

Some civil-rights lawyers argued that the decision on the emergency order, while technical, amounted to a 1 court warning against large-scale deportations in the future. uThe illegality of the Governments actions was made clear, and no Government will be able to do this again," said Joshua Schoffman, who appealed in behalf of the Palestinians for the Association for Civil Rights in Israel. -

Uri Dromi, director of the Government Press Office, acknowledged that "we got a strong indication from the court that this kind of mass deportation is not exactly an advisable thing." But Leah l'semel, another lawyer l'01 the Palestinians, said the court did not rule out the expulsion of any number 01 people so long as each one receives an individual order. ttWhat prevents the Army from issuing 4,000 individual deportation orders?" she said, calling the ruling a 'tcatastrophe."

%%

—·—·—

Court Ruling Leaves Clinton With Uncomfortable Choices

By ELAINE SCIOLINO

SpCCiaI to The New York Times

' , WASHINGTON, Jan. 28 - The decision by the Israeli High Court upholding the deportation of more than 400 Palestinians disappointed the Clinton Administration, which was clearly hoping that the court might relieve it of having to choose between supporting United Nations sanctions against Israel or antagonizing the Arab countries that are likely to seek sanctions. In any event, the continuing impasse over the deportees jeopardizes the Middle East peace talks. No date has been set for their resumption, but at any rate they are now threatened by an Arab-wide boycott.

President Clinton has pledged that making progress toward peace is one of his highest foreign policy priorities, but he now finds that unless there is an early break over the deportees, there may not be talks in February.

'We Don't Think It's Time

Although the Bush Administration voted in favor of a Security Council resolution that unanimously condemned Israel for deporting the Palestinians and demanded their immediate sidestepping sanctions, hoping words will work.

return, the Clinton Administration has indicated it will oppose any initiative to enforce the resolution with even limited sanctions.

iiWe don't think it's time for a debate in the Security Council on sanctions," the State Department spokesman, Richard A. Boucher, said today. But he declined to say whether the impasse was a setback to the peace talks, and repeated over and over that the United States was consulting with Israel and other governments to resolve the issue. Secretary of State Warren Christopher will probably plead for more time when he visits Secretary General Boutros Boutros-Ghali at the United Nations on Monday. He will accompany Madeleine Albright on her first day as the chief United States representative to the United Nations.

Mr. Boutros-Ghali recommended on Tuesday that the Council take "whatever measures are necessary" to force Israel to comply 'with the Council's demand to re-admit the Palestinians.

1

Top Spot on Agenda I

If the issue is not resolved in the next few weeks, Mr. Christopher will find the deportees at the top of his agenda when he travels to the Mideast in the second half of February as part of his first foreign trip. He is also to meet

with his NATO counterparts in Europe and with Foreign Minister Andrei V. Kozyrev of Russia, State Department officials said.

The Palestine Liberation Organization today garnered support for sanctions against Israel from at least 22 Islamic nations and is seeking broader backing from "nonaligned" members on the 15-nation Security Council. Some of these members were ready to begin an informal Council debate on Friday, but the United States was seeking to stall it, according to diplomats at the United Nations.

Administration officials had urged key Arab governments to block the P.L.O.-drafted resolution until the Israeli High Court ruled.

Richard N. Haass, the senior official on the Middle East at the National Security Council during the Bush Administration, said, "The Administration could be forced to choose between some sanctions against Israel - which would clearly be a major departure and sets a dangerous precedent for pressuring Israel - and seeming to employ a double standard when it comes to taking a tough line against those who do not conform to Security Council resolutions."

No Relief From Justice

Until today, the Administration had gambled that the Israeli High Court of Justice would break with precedent and rule against the deportations, thus providing Prime Minister Yitzhak Rabin with a face-saving way to take back the Palestinians, perhaps in stages, and comply with the Security Council resolution.

Despite the Security Council vote in favor of the immediate return of the deportees, neither Mr. Clinton nor Mr. Christopher explicitly repeated that demand when they spoke with Mr. Rabin in separate telephone conversations last weekend, according to Israeli officials.

When Mr. Clinton telephoned Mr. Rabin Saturday, these officials said, Mr. Clinton merely expressed the hope that the deportee matter would be solved as soon as possible. Mr. Christopher was somewhat more specific during his 30-minute conversation on Sunday, saying

that he hoped the matter would be resolved quickly so that the two sides could once again focus on the peace process. A

The Diplomacy Route

As part of its diplomatic efforts, Mr. Christopher prepared tonight what State Department officials described as a tough message to Mr. Rabin, but they declined to discuss its content. The United States Ambassador to Israel, William C. Harrop, met with Mr. Rabin today in Israel, and in Washing-

ton Assistant Secretary of State Edward P. Djerejian met with Lebanon's Ambassador, Simon Massoud Karam. Mr. Karam said in an interview that Lebanon would accede to the United States request that it not push for sanctions immediately, despite the fact that the deportees are trapped in an area of southern Lebanon that Israel in effect occupies and calls its security zone. ttFrom the beginning we have stressed that unless this is solved, no one can count on resumption of the peace process," Mr. Karam said.

Israeli Official Meets P.L.O.

TUNIS, Jan. 28 (AP) - Yael Dayan, an Israeli lawmaker and daughter of the late war hero Moshe Dayan, met with P.L.O. officials today, nine days after Jerusalem repealed a ban on such contacts. She met with Yasir Abed-Rabbo and Mahmoud Abbas, members of the P.L.O. Executive Committee, P.L.O. spokesmen said. They refused to give details. She was scheduled to meet the Palestine Liberation Organization chief Yasir Arafat on Friday, said Palestinian officials who insisted on not being identified.

a
THE NEW YORK TIMES INTERNATIONAL FRIDAY, JANUARY 29, 1993
In a description provided by a knowl-
1 Battle for Dam in Croatia
Grows, Gusting U.N. Force
By JOHN DARNTON

Special to The New York Times
SINJ, Croatia, Jan. 28 - In a widen-
ing of the hostilities in Croatia, Serbs
and Croats fought a fierce artillery and
mortar battle today in a struggle to
control a strategic and heavily mined
dam that provides hydroelectric power
to much of the Dalmatian coast.

By the day's end, the United Nations
troops protecting the Peruca Dam had
been chased away by Serbian militia-
men, according to United Nations offi-
cials. But then, the officials said,
Croats who had been shelling the dam
area since last night outgunned the
Serbs and took ultimate control.
If the Croats succeed in holding it,
they will have gained another victory
in the offensive that began seven days
ago, when they crossed cease-fire lines
along the Adriatic coast to break a
yearlong truce.

The fight over the dam was the most
dramatic in a day rife with rumors and
reports of Serbs' and Croats' massing
forces and exchanging gunfire and
mortar rounds in isolated spots along
an area roughly 80 miles long.
Both sides were reported by United
Nations officials to be shelling each
other at Drnis, a town 14 miles south of
Knin, the heartland of the Serbian en-
clave inside Croatia that is called Kra-
Jina.

.. tBroadening of the Frontt
nAt the moment, we're seeing a
broadening of the battle," a senior
United Nations official said. "It's
worse today than yesterday because of
the broadening of the front."
The distant thud of artillery could be
heard in this small town eight miles
south of the dam. With Croatian sol-
diers in camouflage fatigues rushing to
report for duty and residents fleeing or
taking shelter in basements, Sinj is on a
war footing and has proclaimed a state
of alert. .

The step would appear justified. If
the dam should explode - a possibility
that officials from the United Nations
peacekeeping force do not exclude -
then the town's 12,000 people and an
estimated 50,000 other people in the
valley sweeping toward the coast
would be inundated.

The dam, the second largest in what
was once Yugoslavia, holds back a 15.
mile lake just 25 miles north of Split, 1
Croatia's second-largest city. The dam
fell into Serbian hands in 1991 and was
retaken by United Nations forces last
summer. They discovered that the
Serbs had planted the dam and sur-
rounding area with explosives so art-

fully placed that they have not been able to remove them.

Radio Detonation Feared 4

In fact, the two power plants at the dam have not been fully operational for fear that if the sluice gates were fully opened, that might trigger an explosion. British demolition experts who inspected the dam in November believe that the explosives could be detonated by radio

This would clearly spell disaster for Sinj, a pleasant town of red-tile roofs and fading concrete structures set amid cypress trees and a plain of fallow corn fields within view of snow-capped mountains.

"There would be an enormous flood," said Tonci Pletikosic, a member of Sinj's town council. "It would take years to recover. Our fields would be destroyed. It would be dangerous for people and for animals."

The 13-member council met in an emergency session to decide what to do, and issued a warning to tell people to be ready to seek high ground at the first sounding of an alarm.

As Mr. Pletikosic spoke, he stood in a darkened hallway with other council members, well away from windows. Outside, the heavy thump of artillery could be heard.

Another town official, Simun Samardzic, a man in horn-rimmed glasses with a bright red tie barely holding an open-necked white shirt, brought out a dog-eared diary in which he had copiously copied statistics about the dam - its width, its height, its history. In a building not far away, on a square centered upon a statue of a heroic soldier, three elderly women huddled in a basement room where they had spent the last 24 hours. Asked what they feared the most, one of them, replied with a single word - Chetniks, the name given to Serbs who fought Croatian partisans in bitter combat in World War II.

But despite the fears, many people here, like those elsewhere in Croatia, appear to support the Government's decision to move against the Serbs. They are angry and frustrated that many provisions of a United Nations-brokered peace plan - including the disarming of Serbian militiamen, the return of refugees and gradual Croatian control over lost territory - have yet to be carried out.

When the United Nations took over the dam last year, it was proud of the move, and so its loss Wednesday night by Kenyan troops stationed there who were under orders to resist attack could prove embarrassing.

A United Nations official, Croats began shelling the dam Wednesday evening. As this was going on, a heavily armed Serbian battalion

moved in to overpower the two Kenyan platoons. The Croatian shelling re-SLOVENIA 0 Miles 50
V Zagreb HUNGARY

. .
. CROATIA
277/ , Osijek. VOJVODINA
//
//
/%/ ///, ?'KRAJINA REGION 1
/' Hf BOSNIA AND
) Zade/rCHERZEGOVINA Be'gradfi
lMaslenlca i
f',7/ ")l/ Knln
ALBANIA
Whm mmm m. vn-. (
l ho New York Times
l U.N. troops protecting the Peruca
l Dam were chased away by Serbs.
sumed this morning with tank, artillery
and mortar fire, and by afternoon the
Croats had prevailed, United Nations
officials said.
The official criticized what he called
lttthe level of lying." He said Gen. Janko
Bobetko, the commander of the Croat
forces, was denying the Croatian ate
itack in a meeting with Lieut. Gen.
Satish Nambiar, the commander of the
United Nations forces, even as it was
going on.
l General Nambiar released a state
ment at a news conference today in
Zagreb, the Croatian capital, in which
the condemned the Croatian attack and
warned that ilit could have destructive
consequences which we have not yet
witnessed."
Warnings From Serbs
In a typical Balkan plot within a plot,
a United Nations official said that in
recent days Serbs had been warning
them that the Croats planned to blow
the dam up and blame the Serbs for the
disaster. But other officials doubted
lithat the Croats would inflict such a
blow upon themselves, even to garner
international sympathy.
Speaking on state radio today, the
Croatian Deputy Prime Minister, Ivan
Milas, warned that the dam was liin
danger" from Serbian forces. Their
actions, he said, Hcould result in an
ecological and human catastrophe in
the entire area south of the dam."
The fighting began Friday when the
Croats crossed the ceasefire lines into
United Nations-patrolled areas near
the Serbian enclave of Krajina, where
the northern and southern halves of
Croatia meet like a hinge. They were
able to seize the area of the destroyed
Maslenica Bridge to try to rebuild a
lost link in the only highway joining the
two halves of their country. They alsc
gained control of an airport not far
from the coastal town of Zadar.

THE NEW YORK TIMES, FRIDAY, JANUARY 29, 1993

West Doubts Yugoslavs
Will Send In the Army

BELGRADE, Yugoslavia, Jan. 28 _

Despite renewed firefights between Croatian Army forces and rebel Serbs along Croatia's Adriatic coast, Western diplomats said today that they do not expect Yugoslavia's army to intervene on the Serbs' behalf unless the fighting radically intensifies and spreads.

"The Yugoslav Army won't move in if it remains localized," a Western diplomat said. "But our experience here is that once the fire starts, it burns through a large part of the forest before it stops."

Though Yugoslavia's and Serbia's leaders have warned that they will use "all means necessary" to protect the beleaguered Serbs, they have also clearly indicated that the Yugoslav Army will not enter the conflict unless the United Nations fails to restore peace.

The Yugoslav Army, which is now practically an all-Serbian institution, intervening in Croatia's conflict if the UN fails.

stepped up the war in Croatia in September 1991 by sending huge columns of tanks, artillery and soldiers from Serbia and Montenegro to attack Croatia's eastern panhandle and the Adriatic city of Dubrovnik.

U.N. Call for Pullback

The army's units have been on a heightened state of alert for days, but the high command has issued no public statements indicating that intervention is imminent.

Dormant for a year until the Croatian attack last Friday, the 1991 Serbian-Croatian war consumed at least 25,000 lives, sent hundreds of thousands of people fleeing from their homes and left the Serbs in control of almost a third of Croatia's territory, a land they now call the "Serbian Krajina Republic."

The Croatian President, Franjo Tudjman, has admitted to ordering the surprise attack last Friday on Krajina, which drove Serbian rebels from an important bridge site and airport in areas under the protection of United Nations peacekeeping troops just outside the Adriatic port city of Zadar.

By CHUCK SUDETIC

Special to The New York Times

In two carefully worded resolutions, the United Nations Security Council has called for Croatia to withdraw its forces unilaterally and for the Serbs to return tanks and heavy artillery pieces taken from storage areas supervised by United Nations peacekeeping troops.

Clear Diplomatic Advantage

Despite the balanced resolutions, Serbian leaders have hailed the Security Council's decisions as a major turnaround in Western policy toward the fighting in the former Yugoslavia. Belgrade newspapers have also run banner headlines above stories on Moscow's calls for economic sanctions against Croatia.

Diplomats here said the Yugoslav and Serbian leadership is loathe to risk losing the image of being "victims" with a rash military response to the Croatian attacks at their present intensity level.

"The Serbs see the clear diplomatic advantage to leaving Tudjman hanging out there in defiance of the United Nations," the diplomat said. "The question is how far Tudjman is going to push things, whether he is going to put in jeopardy the real security of the Serbian population inside the occupied areas."

But Western diplomats and United Nations officials have expressed deep concern that Krajina's leaders may try to force Yugoslavs to send in the army by coaxing a broader Croatian attack with retaliatory shelling of Osijek or other Croatian towns near still-peaceful parts of the front line.

'We Must Defend Ourselves'

The largest city in Croatia's eastern panhandle, Osijek suffered severe shelling damage during the 1991 war and was the target of rebel Serbian barrages long after the Croatian ceasefire of January 1992 took effect.

"If the Croats move on Sector East, the army will go immediately," the diplomat said, referring to the area protected by the United Nations just outside Osijek.

Krajina's president, Goran Hadzic, toured Serbian military positions just north of Osijek on Wednesday.

"Clearly we cannot rely on the Security Council," Mr. Hadzic said, "just as we cannot rely on the peacekeeping force. We must defend ourselves."

Yugoslavia's two most powerful political leaders, Serbia's President, Slobodan Milosevic, and Yugoslavia's President, Dobrica Cosic, have clearly indicated that they are relying on the United Nations Security Council to halt the fighting.

A War of Attrition

Mr. Milosevic, who pledged to protect Krajina's Serbs during a recent election campaign, has made no threats of military retaliation against Croatia in his public statements since the Croatian attack.

In a letter to the United Nations Secretary General, Boutros Boutros-Ghali, published in Belgrade newspapers today, Mr. Cosic warned that the current fighting will grow into a "war of attrition" unless the United Nations

takes action to halt the clashes.

ttThe final moment has come for the world organization to undertake decisive measures to halt the aggression and pogrom against the Serbian people and to force the aggressor to withdraw," the President wrote.

ttCroatia has ignored all the measures the United Nations has undertaken so far, including the Security Council's latest resolution," he wrote. tiltt has stepped up its aggression on the Serbian people under United Nations protection."

Outrage at Killings

Croatia justified its attack by citing the Serbs' failure to comply with key elements of the peacekeeping plan worked out in late 1991 by the United Nations special envoy and former American Secretary of State, Cyrus R. Vance.

Croatian leaders, as well as United Nations officials, have complained for months that Serbs in Krajina were seriously undermining the peacekeeping plan by refusing to surrender heavy weaponry and negotiate the restoration of critical communications and utilities.

United Nations officials echoed the Croatian leadership's outrage at the killing of civilians by Serbian militiamen in the protected areas in an effort to "cleanse" them of non-Serbs to make way for Serbian colonists from Bosnia and Herzegovina and other parts of Croatia.

Balkan Peace Talks Inch Forward

But Vance May Issue Ultimatum

By DAVID BINDER

Spectator to The New York Times

GENEVA, Jan. 28 - The three warring parties in Bosnia and Herzegovina made "some progress" today toward a peace settlement despite continued clashes in the republic, a United Nations spokesman here said.

But the co-chairmen of the Conference on Former Yugoslavia, Cyrus R. Vance for the United Nations and Lord Owen for the European Community, were described by officials as nearing the end of their patience after four weeks of negotiations.

The officials said the co-chairmen might soon demand that the leaders of the Bosnian Muslims, Serbs and Croats definitively accept or reject their comprehensive peace proposal.

Differences Over the Map

Last Saturday, the three delegations accepted the nine principles of a settlement and said they were generally agreeable to a detailed proposal on a cease-fire and disengagement of their military forces.

But "fundamental differences" remain on the crucial element, the co-chairmen's proposal to reorganize Bosnia into 10 ethnically mixed and largely autonomous provinces under a loose central government, the conference spokesman, Fred Eckhard, said. From the beginning, the chief holdout on this issue has been Radovan Karadzic, leader of the Bosnian Serbs, whose armed forces have seized 70 percent of the republic since last April. Dr. Karadzic has come under great pressure from the Serbs because under the plan, they would lose the most territory: Serbs would be dominant in only 43 percent of the republic; before the fighting, Serbs owned over 60 percent of the land.

Building a Political Bridge

The progress reported today had less to do with the 10-province map than with what Mr. Eckhard described as "interim arrangements" for governing Bosnia between the time a peace package is signed and when a new constitution is put in place. Disagreements continue among Serbs and Muslims, particularly over the reorganization of Sarajevo, the capital, and the surrounding area into a province.

On Friday, Mr. Vance and Lord Owen intend to present a draft proposal on the interim arrangements. They plan to convene a plenary meeting of the parties here on Saturday. At that meeting, it appears, the co-chairmen will tell the leaders to say yes or no. Should Dr. Karadzic refuse, they will stop the negotiations, fly to New York and place the issue before

the United Nations.

Mr. Eckhard said, "If there is no significant progress by the end of the week, the co-chairmen may have to go to the Security Council."

He said that concerns have increased on the part of Mr. Vance and Lord Owen not only about the current fighting in Bosnia, but also about the continued combat between Croatian and Serbian forces near Zadar, Croatia.

A

rs v. tu_ma-

THE NEW YORKTIMES, FRIDAY, JANUARY 29, 1993

French Envoy to Zaire Killed in a Shooting
PARIS, Jan. 28 (Reuters) - The French Ambassador to Zaire was killed by a stray bullet today as Zairian soldiers opened fire in Kinshasa, the French Foreign Ministry said.

"First reports from our embassy say he was hit by a stray bullet as troubles were breaking out in the Zairian capital from the middle of the day on," a ministry statement said.

The French radio said the Ambassador, Philippe Bernard, arrived in Zaire in December.

According to the Belgian Foreign Ministry, Zairian soldiers from two army barracks opened fire in Kinshasa and looted shops in protest against new banknotes they said were worthless.

The notes, introduced this week, have deepened a power struggle between President Mobutu Sese Seko and Prime Minister Etienne Tshisekedi, who has said the notes are not legal tender.

Looting by Zairian soldiers in September 1991 shook Kinshasa and several other cities in the former Belgian colony, killing at least 250 people and crippling the economy.

THE NEW YORK TIMES, FRIDAY, JANUARY 28, 1993

A New Crisis Engulfs Angola

As the Rebels Make Big Gains

LUANDA, Angola, Jan. 28 — Angola

is sinking ever closer to disintegration as it confronts the worst crisis of its nearly 30 years of armed conflict, economic hardship and political strife.

Fighting between Government and guerrilla forces in the last three weeks, the most intense in years, has left tens of thousands dead. The 1991 pact between the warring factions, which was meant to end the civil war and prepare Angola for free elections and Western-style democracy, appears on the brink of coming apart.

Moreover, millions of people have been forced from their homes by the conflict and more than 1.5 million face the prospect of starvation, United Nations officials say.

Compromise Called Unlikely

"Things are worse now than they've ever been," said Jorge Chikoti, Angola's Deputy Foreign Minister. "We have never seen so many refugees, so many deaths, so much destruction in such a short period of time."

The renewed clashes come as leaders of the two sides hastily arranged talks today in Addis Ababa, Ethiopia, aimed at halting the bloodshed. But African and Western diplomats here say the chances of a political compromise look slim.

That conclusion is based in large part on growing evidence that Jonas Savimbi, the rebel leader, is convinced that he can win on the battlefields. "Savimbi wants the whole pie," a Western diplomat here said. "Hand in his position, with most of the country effectively under his control, why should he compromise?"

During most of this country's 16-year-long civil war, the rebel group, the National Union for the Total Independence of Angola, or Unita, never managed to hold any major city. But it has recently seized nearly two-thirds of Angola's territory and now effectively controls 105 of Angola's 164 municipalities, the United Nations estimates. Last week the rebels recaptured Huambo, their political and ethnic stronghold in the central highlands, and gained control of Soyo, 186 miles north of Luanda on Angola's oil-producing northern Atlantic coast.

By KENNETH B. NOBLE

Special to The New York Times

Five foreign oil companies, including Texaco and Chevron, operate out of Soyo or Cabinda, a northern Angolan enclave between Congo and Zaire. Oil from the two areas produced about 550,000 barrels a day and 90 percent of Angola's export earnings.

The situation, already complex and uncertain, became more so early this

week when the United Nations Secretary General, Boutros Boutros-Ghali, recommended that the Security Council set an April 30 deadline for the warring parties to make peace. He said the Council should withdraw the 550-member United Nations force in Angola, leaving about 60 observers, and should concentrate these in Luanda, the capital.

If the peace talks in Ethiopia should fail and the United Nations should end its operations here, political analysts say, the violence could spiral out of control.

"If the United Nations pulls out, I don't see how the war can stop," said Gerald Bender, an Angolan expert and a professor at the University of Southern California in Los Angeles.

A Generation of Bloodshed

The escalating violence is especially striking given Angola's notoriously brutal recent history. Nationalist groups demanding freedom first fought a protracted war against their Portuguese rulers in the 1960's, and then fought each other on the eve of independence in November 1975.

Angola then turned into a cold-war battlefield, with the leftist Luanda Government receiving support from the Soviet Union and Cuba and the rebels taking aid and their cue from the United States and South Africa. More than 500,000 Angolans died in a generation of bloodshed.

The United States and the Soviet Union played a major role in encouraging the two sides to agree to the 1991 cease-fire.

Although both sides have lost their superpower patrons, they are believed to have enough weapons to keep fighting for at least six months to a year, political analysts say.

They say that Unita has about 20,000 regular soldiers and 10,000 other fighters. But its strength lies less in numbers perhaps than in experience and tenacity.

"Unita's elite troops have been hardened by years of bush warfare and, perhaps most important, are fiercely loyal to Savimbi," a Western diplomat said.

1

The Government also has about 30,000 trained fighters, Western intelligence officials say, but much of the force is underpaid, battered and demoralized.

— The cost of the intensifying warfare is especially conspicuous in Luanda, a seaside capital once called the Rio of Africa. The mood among the people is grim, particularly since they have spent the last five days with little or no running water as a result of guerrilla attacks on the main water plant outside the city.

Nearly every night, the crackle of guns and mortar fire can be heard in much of the city. Compounding the misery, food is costly and scarce. On many streets, men, women and children who have lost limbs in the war can be seen hopping on crutches.

The role of the United Nations has been made all the more difficult by what officials say have been repeated attacks against its monitors. So far, they say, nearly \$7 million worth of United Nations equipment has been confiscated, including more than 80 vehicles. Most of it is now believed to be in the hands of Unita.

The current crisis began when Mr. Savimbi refused to accept the outcome of elections last September, even though 400 United Nations monitors, as well as foreign observers, said they had been orderly and generally fair. At the end of October his forces mounted a major offensive and captured large areas of the country.

By mid-December, however, Mr. Savimbi was in trouble, with Government forces counterattacking around 50 percent of the country.

But in the last few weeks the military balance has tipped back to Unita, which recaptured Huambo on Jan. 19. For perhaps the first time since the civil war began in 1975, diplomats and political analysts here say, the rebels are in reach of an outright military victory.

If Unita can keep the momentum, or they have a shot at taking the whole thing," a Western diplomat here said. But he added that even if Mr. Savimbi defeated the Government militarily, it would be a hollow victory. k

"Savimbi is already an international pariah," he said. "Anything he does from now on will only make matters worse." ?

KHMER ROUGE TIED
TO ETHNIC KILLINGS

U.N. Says Soldier Described
Drive Against Vietnamese
By PHILIP SHENON

Special to The New York Times
PHNOM PENH, Cambodia, Jan. 28

-- A Khmer Rouge soldier has confessed that he and a squad of other Khmer Rouge guerrillas killed 15 ethnic Vietnamese civilians last month in a massacre motivated by ethnic hatred, the United Nations announced today.

The massacre in the central province of Kompong Chhnang on Dec. 27 was the worst single instance of violence in Cambodia since United Nations peacekeeping forces arrived here in 1991 to carry out a peace treaty. The arrest and confession of the 25-year-old guerrilla soldier is a breakthrough in efforts by United Nations peacekeeping forces to tie the secretive, Maoist-inspired rebels of the Khmer Rouge to a series of violent attacks, including at least four massacres, against ethnic Vietnamese in Cambodia. United Nations officials have described the massacres as a Khmer Rouge attempt at ethnic cleansing.

Soldier Defected

United Nations Officials said the Khmer Rouge soldier, Than Theuan, confessed to his participation in the massacre after he defected from the Khmer Rouge earlier this month and asked for protection from the United Nations.

The arrest was announced in Phnom Penh as the first details emerged of another massacre, this one of eight ethnic Cambodians, who died after gunmen opened fire shortly after midnight Wednesday on a village festival in the province of Siem Reap.

No one has been apprehended in the new attack, and United Nations officials said they were investigating assertions by villagers that the Khmer Rouge may have been involved.

Cambodia has had two waves of violence in recent months - the Vietnamese-installed Government of Cambodia has been widely blamed for one, directed against opposition political parties; the Khmer Rouge have been blamed for one against ethnic Vietnamese.

The Khmer Rouge insist that thousands of Vietnamese soldiers are living in Cambodia, posing as civilians, and should be forced out. The Khmer Rouge were responsible for the deaths of hundreds of thousands, and perhaps more than a million, Cambodians when the group controlled the central government in the 1970's.

M

THAILAND j LAOS x

ROMPONG

vynmc,

VIETNAM

Phnom Penh

. w

0 Miles 100

The New York Times

Ethnic Vietnamese in places like

Kompong Chhnang have been

victims of fierce hatred.

Denied Involvement

While they have denied involvement

in the massacres, the Khmer Rouge

have cited the presence of Vietnamese

in Cambodia in the groups decision to

boycott internationally supervised

elections this spring.

Mr. Than Theuan, who told investiga-

tors that he had used a 8-40 rocket

launcher in the attack, allowed the

United Nations to videotape him reen-

acting the massacre in the village

where it occurred.

Another official, Dennis McNamara,

the head of human rights enforcement

for the United Nations Transitional Aue-

thority in Cambodia, said that while he

could not discuss details of Mr. Than

'Theuan's case because of imminent

court proceedings, "the ethnically mo-

tivated attacks on Vietnamese citizens

are a major human rights concern in

Cambodia today, and this is the start of

a new attempt by the United Nations to

bring those responsible to account"

Hundreds of thousands of ethnic

Vietnamese civilians are believed to

live in Cambodia. Many ethnic Viet-

namese families have been in Cambo-

dia for generations, speak the Khmer

language and consider themselves

Cambodians, while others have been

drawn here from Vietnam over the last

year by the opportunity to find jobs.

Threat of a Pogrom

United Nations officials working in

Cambodia have warned of the threat of

a pogrom led by the Khmer Rouge

against the Vietnamese. Vietnam is a

' country of nearly 70 million people that

through history has repeatedly over-

run the territory of Cambodia, which

has a population of about seven million.

Many Cambodians describe their atti-

tude of Vietnamese as almost instinc-

tive.

In the early 1970's, hatred against

the Vietnamese led army and police

units in the Government of Prime Mini-

ster Lon Not to kill thousands of Viet-

namese civilians in Phnom Penh and

nearby provinces.

'l he motive for the attack on Wednes-

day morning remained unclear.

THE NEW YORK TIMES; FRIDAY, JANUARY 29, 1993

Haitian Leaders Object to a UN. Plan for Deploying Observers

By HOWARD W. FRENCH

Special to The New York Times

MIAMI, Jan. 28 - Plans to deploy

hundreds of United Nations observers in Haiti to monitor human rights violations and discourage political violence have been stalled by last minute objections raised by the present Haitian leaders over the mission.

In a speech broadcast on Haitian television late Wednesday, Marc L. Bazin, the Prime Minister, denounced as a violation of the nations sovereignty a request by the United Nations for the mission to be allowed to "go anywhere freely, without being accompanied and without giving prior notice."

"No authentic Haitian would sign this document," Mr. Bazin said in the broadcast, which diplomats described as the clearest of several recent signs that the army-backed civilian Government of Haiti was resisting renewed efforts to conclude a settlement of the country's 16-month political crisis. After two days of meetings with authorities in Port-au-Prince, a United Nations special envoy, Dante Caputo, left Haiti 11 days ago with separate written agreements from Mr. Bazin and from the army commander, Lieut. Gen. Raoul Cedras, for the rapid deployment of as many as 500 observers.

One day after Mr. Caputo's departure, however, General Cedras, in a local radio interview, denied that the army had committed itself to anything. Mr. Bazin's Government has thrown up a series of objections over what it has called the terms of reference for the observer team.

In September, the Haitian authorities consented to the deployment of 18 human rights observers by the Organization of American States, but later confined that group of monitors to the capital, where they remain.

Pledge From Clinton

As Haiti's current leaders have increasingly appeared to hedge on the United Nations mission, Mr. Caputo, a former Argentine foreign minister, has publicly warned the authorities there of "serious consequences" if they were to renege on their commitment to allow observers into the country.

Today, Mr. Caputo flew to Washington for talks with Secretary of State Warren M. Christopher and O.A.S. officials to discuss ways of pressuring Haitian leaders to accept a settlement. After reversing earlier pledges to revoke the Bush Administration policy of summarily returning Haitians picked up at sea while trying to flee their country, President Clinton has pledged to work for the restoration of

democracy in Haiti.

Although the United Nations has already warned that it will not negotiate the particulars of its human rights mission to Haiti, Mr. Bazin said he would seek suggestions for counterproposals on the deployment of observers from church leaders, the Supreme Court and the National Assembly, whose control he won last week in legislative elections that have been condemned outside the country.

Diplomats involved in Haiti's crisis say that Mr. Caputo will soon return to Port-au-Prince to urge army leaders to accept the observers before new sanctions are imposed.

Haiti's current crisis began in September 1991 with the overthrow of the democratically elected president, the Rev. Jean-Bertrand Aristide, by the military. Hundreds were killed in the coup itself, and international human rights agencies say that hundreds more have since died as a result of political repression by the army.

In a letter on Jan 13 to the United Nations from his exile in Washington, added military forces along the Haitian border, the Foreign Ministry said Deputy Foreign Minister Fabio Her-
With Christopher
on crisis.

Father Aristide formally requested the deployment of observers to Haiti to reassure all parties that the current political crisis will be solved only by eliminating violence." Once they are deployed, Father Aristide said in the letter, he would support the relaxation of a hemispheric embargo imposed upon Haiti shortly after the coup.

Diplomats have said that the United Nations negotiated settlement would also call for the selection by Father Aristide of a political opponent as his prime minister, an amnesty of those involved in the coup and Father Aristide's eventual restoration in office.

Dominican Recalls Diplomats
SANTO DOMINGO, Dominican Republic, Jan. 28 (Reuters) - The Dominican Republic recalled all four of its diplomats from Haiti today and Rera Cabral declined to explain why President Joaquin Balaguer had ordered the actions, which came one day after Haiti's Prime Minister rejected the terms of a United Nations-backed plan to send international observers to Haiti, with which the Dominican Republic shares the island of Hispaniola.
US. and UN. Are Optimistic

Spectral lo Hie New Ymk l'imes

WASHINGTON, Jan. 28 - Secretary of State Christopher and Mr. Caputo, the special United Nations envoy, said today that they were optimistic that a solution could be found and that the human rights monitors could be deployed shortly.

uWe're quite hopeful that with Mr. Caputols skill and the situation that we . have there, I think we have the opportunity to have that happen," Mr. Christopher said at a meeting with reporters' at the State Department. "There are: challenges here. But if the parties continue in the spirit that attended his most recent visit I am quite hopeful the observers will be there in short order "

THE NEW YORK TIMES, FRIDAY, 1,4 m m Ry 29, 1993

Major Powers Back a F and
For SoviebDesign Reactors

By MARLISE SIMONS

Special to The New York Times

PARIS, Jan. 28 - After months of bickering among themselves, the United States and six other major industrial nations have agreed to create a multimillion-dollar fund to improve the safety of nuclear reactors in Eastern Europe and the former Soviet Union. The results of a secret meeting in London on Wednesday were disclosed today by French and German officials, who said at a joint news conference here that an accord had been reached unexpectedly and that the London-based European Bank for Reconstruction and Development would manage the fund.

The ministers also announced today that France and Germany together had pledged to pay \$80 million into the fund over the next three years. The United States has not yet committed itself to any specific amount, but officials close to the negotiations said that American as well as Japanese negotiators had dropped past objections and agreed to go along.

Disaster Prevention

The money going into this nuclear safety account will generate a great deal of business for Western manufacturers. It will be spent in the first place on measures to prevent disasters like the one at Chernobyl in 1986 and to make other improvements that will guarantee an energy supply to the faltering economies of Eastern Europe, Russia and Ukraine.

Western experts have long expressed alarm over dilapidated conditions at many of the 60 Soviet-designed reactors operating in the former Communist nations, and since the end of the cold war, Western countries have repeatedly said they would need to help. At their Munich summit last July, the Group of Seven industrial nations - which includes the United States, Britain, Canada, France, Germany, Italy and Japan - proposed a nuclear energy assistance program that would need a minimum of \$700 million. But their plan has since failed to get off the ground because the seven could not agree on what aid to provide and who should be in charge of managing it. The United States and Japan were very reluctant to go along with a multilateral program, but now they have agreed," said a spokesman for the German government, which has led the drive for the fund. The consultations have been long and difficult." Officials of the Clinton administration could not be reached for comment. A major stumbling block was that the United States and Japan wanted to

give direct, bilateral aid in order to keep more control over the money and to retain more leverage in getting business contracts, officials close to the negotiations said.

As part of her confirmation process, Energy Secretary Hazel R. O'Leary told a Senate committee last week that she intended to make assisting the civilian nuclear power industry in Russia and the Baltic states a "priority." But department officials say there is no money in their 1993 budget for dismantling Soviet-design nuclear plants. European countries, and France and Germany specifically, have pushed hardest to get the nuclear safety program going because the region is so exposed to fallout in case of a major nuclear disaster in the former communist countries worry experts.

in those countries, as it was in the case of Chernobyl.

Another issue that has slowed down talks, experts said, is the absence of clear legal liability in those countries.

A Need for Clarity

"If Western manufacturers go in there and people get hurt by something that has a Western piece bolted to it, this can have all sorts of repercussions," said a specialist at the International Atomic Energy Agency in Vienna. "Western companies are very eager to go and get the business, but their legal departments are very nervous." The first countries to receive funds, experts said, will be Bulgaria and Slovakia, both of which operate some of the least safe reactors, the first generation of pressurized water reactors known as VVER-440 type 230.

Bulgaria's only plant at Kozloduy, which has three types of reactors, is in the worst shape, in the view of Western nuclear specialists. The European Community has already spent \$13 million on maintenance work and staff training at Kozloduy.

Slovakia is known for better workmanship, but its reactors of three different generations suffer the design faults criticized by Westerners.

Ukraine and Russia will also receive money from the fund. But it is still not known which of the types of Soviet-built nuclear plants in the former Communist bloc will be fixed up.

555119 New gork Emma

A Way Out for Israel

Prime Minister Yitzhak Rabin's expulsion last month of 400 Palestinians was a blunder for which Israel now pays dearly. Successive American Presidents have consistently held that the expulsion of 31137 Palestinians from Israeli-occupied territories violates a 1949 Geneva Convention. But it would compound the blunder and jeopardize Middle East peace talks for Arab states to press for United Nations sanctions before President Clinton's team has even settled in.

Forcing a UN Security Council vote on sanctions would put a well-disposed but untried Administration instantly in the briar patch. Successive Presidents have also promised to protect a beleaguered Israel from punitive sanctions, if necessary by exercising the American veto on the Security Council.

However vexed by Mr Rabin Washington would be right to cast that veto if the President and Secretary of State Warren Christopher are denied a reasonable chance to seek a way out.

Hopes that Israel's Supreme Court might save the day proved vain. The court ruled yesterday that the expulsions were legal, though it extended the right of appeal to each expelled person.

As expected, that gesture was rebuffed by the Palestinians, who are now huddling in tents in a freezing no man's land in Lebanon. That perfectly suits the banished Islamic militants, since their plight has effectively stalled the peace talks they vigorously oppose. The talks were due to resume in Washington early next month.

A face-saving exit is possible. The Clinton Administration has already slowed the rush to a Security Council vote. That buys time for an appeal to Mr. Rabin to shorten the two-year expulsion orders to months or even weeks, and to provide for case-by-case hearings of all accused of terrorist acts. Whatever the domestic political costs for Mr. Rabin, magnanimity would better serve Israel's wider interests.

Israel's defenders justly argue that the world takes too little note of the terrorist crimes committed by Islamic extremists, and of their fanatic determination to block any compromise settlement between Israelis and Arabs. But the expulsion diverts attention from Israel's complaint. It makes sense for Mr. Rabin to limit the damage by amending the expulsion order.

Should Mr. Rabin take this course, and should the Security Council nevertheless vote to impose sanctions, then Mr. Clinton would be justified in casting the first US veto in more than two years. Whatever Israel's offenses, it mocks reality for Arabs to imply that the expulsion is equivalent to Saddam Hussein's crimes against Kuwait or Libya's complicity in state terrorism.

By all means hold Israel to the letter of Geneva Conventions. But don't exaggerate the scale and nature of the infraction.

THE NEW YORK TIMES, FRIDAY, JANUARY 29, 1993

New Clash

Threatens

Vital Dam

In Croatia

Compiled by Our Staff From Dispatches

ZADAR, Croatia - Fighting

erupted on a new front Thursday in

Croatia, threatening a dam under

United Nations control. and a

weak cease-fire between Muslim

and Croatian forces in Bosnia dis-

integrated.

Croatian forces claimed to have

captured the strategic Peruca dam,

but said retreating Serbian troops

had set off three demolition mines

at key points, threatening the struc-

ture with collapse.

In Bosnia, a spokesman for Cro-

atian Defense Council forces said

at least 10 Croatian soldiers were

killed after fierce fighting resumed

in the mixed Croatian-Muslim

town of Busovaca.

"The Muslims attacked with

tanks," the spokesman said. "We're

now trying to negotiate another

truce. But we're really just going

around in circles."

There were these related devel-

opments Thursday:

0 The UN secretary-general, Bu-

tros Butros Ghali, called for a

meeting between North Atlantic

Treaty Organization officials and

UN peacekeepers to discuss en-

forcing the no-flight zone over Bos-

nia, diplomats said in Brussels. Mr.

Butros Ghali proposed the talks in

response to a plan drawn up by the

16 NATO nations for stopping Ser-

bian warplanes from flying over

Bosnia-Herzegovina in defiance of

the UN ban.

o Thirteen French peacekeepers

were rescued from the fighting in

Croatia. But at least 10 were still

pinned down in a crossfire not far

from Zadar, the French Defense

Ministry said, and 21 UN police

officers from eight nations were re-

ported held by Serbs farther east in

Benkovac. Serbian leaders said the

policemen were being held for their

own safety.

oA Yugoslav flotilla carrying

thousands of tons of fuel reached

Serbia despite intensified efforts to

end sanctions-busting on the Dan-

ube River, officials said. Romania

and Bulgaria, which share responsi-

bility for monitoring a key stretch

of the international waterway, are

resisting U.S. pressure to use force

to stop the barges from violating

the sanctions.

Both governments say they are

ready to enforce the embargo but

not at the risk of a war.

uShall we kill the crew? How

about our responsibility to the Serbs? It is not a good idea to provoke a Balkan war by sinking ships in the Danube." Prime Minister Lyben Berov of Bulgaria said Wednesday.

The surge in fighting in Croatia threatened peace talks on Bosnia taking place in Geneva under UN and European Community auspices. A spokesman, Fred Eckhard, said there had been no progress because of the latest clashes. The Croatian Army is trying to regain territory Serbs refused to cede in accordance with the UN-brokered truce that ended a six-month civil war in Croatia one year ago. The fighting near the Croatian coast began Friday with a Croatian offensive into areas supposedly under UN protection. Serbian militias launched a fierce counterattack on Wednesday.

Now, fighting is concentrated along the edges of a mainly Serb-populated crescent of western Croatia known as Krajina.

The latest clash occurred on the new front, about 65 kilometers (40 miles) from any previous fighting. The Peruca dam, 35 kilometers north of the Adriatic port of Split, is vital to the southern coast's electricity supply.

The dam was taken by Serbs during Croatia's six-month Serb-Croat war in 1991. In September, UN peacekeepers took it over from Serbian militiamen because it was deemed strategically important.
(AP, Reuters)

INTERNATIONAL HERALD TRIBUNE. FRIDAY, JANUARY 29, 1993
Ignoring Khmer Rouge, UN Sets Cambodia Vote
Reuters

BEIJING - Cambodia will hold elections on May 23-25, whether or not the Khmer Rouge agrees to participate, a United Nations spokesman said Thursday.

UN-organized elections for a Constituent Assembly are intended to secure lasting peace after 12 years of civil war in the Southeast Asian nation.

The dates were given by the head of the United Nations Transitional Authority in Cambodia, Yasushi Akashi, at a meeting in Beijing of Cambodians Supreme National Council. The council, chaired by Prince Norodom Sihanouk, groups the four rival Cambodian factions, including the Khmer Rouge.

The Khmer Rouge, whose brutal rule in the mid 1970s killed more than a million Cambodians, missed a UN-imposed deadline for registering to contest the elections. A UN spokesman, Eric Falt, said it was still technically possible for the group to take part, but the election dates could not be changed.

If the Khmer Rouge decided to join in at a later date they could find a way, he said. But he added that the group had made no indication on Thursday of a change of mind.

The group has refused to allow UN inspectors into areas it controls, and its fighters have repeatedly attacked UN forces.

The Khmer Rouge says the elections will not be fair because of what it calls the presence of large numbers of Vietnamese in Cambodia. Vietnam invaded Cambodia in December 1978 to end the Khmer Rouge's rule.

Under a peace agreement signed in 1991 by all four factions, the 22,000-strong UN peacekeeping force - the largest such operation in history - is supervising the running of the country until the elections.

But the Khmer Rouge's refusal to disarm and increasing political violence has put the accord in jeopardy.

The meeting Thursday had been scheduled to discuss presidential elections, but this was dropped after a statement by Prince Sihanouk on Tuesday that such a vote should take place after the Constituent Assembly had been established, MI. Falt said.

INTERXHYHUNXL 111iR.X1.1) TRIBINE. FRIDAY. JANU'ARY 29. 1993

Arms Pact

For Russia

And India

Yeltsin Resolves

Debt Dispute, T00

CuIan/ml b) (lur SIu/f From Dupmt'hes

NEW DELHI - India and Rus-

sia began a new era of military

cooperation Thursday with an

agreement that ended worries here

that the Soviet-made Indian war

machine would come to a halt.

The Indian-Russian military ac-

cord signed Thursday guarantees

supplies of military spare parts and

conventional weapons systemsxllt

also assures the resumption of mili-

tary training programs suspended

after the December 1991 breakup

of the Soviet Union.

The Russians agreed to provide

India with a long-range rocket de-

spite U.S. objections. The Indians

say they want the rocket as a satel-

lite launcher. The United States

worries that it could further desta-

bilize South Asia.

The agreement was signed by the

Indian defense minister, Sharad

Pawar, and his Russian counter-

part, Pavel S. Grachev, in the pres-

ence of President Boris N. Yeltsm

of Russia and Prime Minister P. V.

Narasimha Rao of India.

The two sides also announced

agreement on their dispute over In-

diafs debt to Russia, but provided

no details.

ult was a compromise," Mr.

Yeltsin said. TI moved a little, he

moved a little. As forvwho moved

the most, letls not worry about that.

The most important thing is that

we reached an agreement."

India had said it owed Russia

\$12 billion, while Russia had insist-

ed that the debt was \$15 billion.

The dispute stemmed from the

sharp drop in the value of the ruble.

During talks with Mr. Rao, Mr.

Yeltsin proposed joint ventures in

spare parts. and the transfer of

technology to Indian ordnance and

spare-parts factories.

uOur prime minister welcomed

these proposals and said all would

be tried out," an Indian spokesman

said, but he did not spell out wheth-

er the supplies would be paid for in

hard currency or through a new

rupee-ruble barter agreement.

The pact also provides for joint

programs in research, maintenance

and training, and for exports by

India to third countries. But it did

not specify the equity stakes be-

tween India and Russia in such

ventures.

in addition, the accord pledged

supply of aircraf t spares and rocket

parts, as well as components and software for air defense and for military communication systems. The Soviet Union accounted for more than 60 percent of India's defense needs, and its breakup seriously affected the Indian armed forces.

Two-thirds of the Soviet T series tanks were not battle-ready, and the Indian Air Force was forced to cannibalize old jets to keep flying. The three services of the Indian armed forces slashed exercises by more than 50 percent as New Delhi failed to find new sellers in the former Soviet bloc, and the West could not service the country's Soviet-built weaponry. (AFP. AP)

WORLD BRIEFS

Language an Issue in Kazakh Charter

ALMA-ATA, Kazakhstan (Reuters) # Parliament adopted Kazakhstan's first constitution as an independent state on Thursday, despite fears that articles dealing with language rights could alienate the huge Russian minority.

Kazakh legislators, who hold a majority in parliament despite representing less than half the population. overrode complaints by Russian legislators. Lawmakers approved articles of the constitution making Kazakh the official state language and ruling that the state president has to have a llucnt command of the language. Few Russians. who make up 39 percent of the republicls population Of 17 million, speak Kazakh. The new constitution, however. gives special status to Russian as uthe social language between peoples." It describes Kazakhstan as a lldemo-cratic, secular and unitary state" and grants full rights to all citizens.

Clashes in Angola as Talks Continue

LUANDA (Reuters) - Angolan government troops and rebels with the National Union for the Total Indcpendence of Angola. or UNlTA, fought in central and southern Angola on Thursday as their representatives met in Ethiopia to discuss a cease-fire in their renewed civil war. Diplomats and state radio reported intense fighting in Menongue, capital of southern Cuando Cubango Province, and tensions in central Kwanza Sul Province. Diplomats believed heavy clashes were continuing in Huambo UNlTA's headquarters in the central highlands about 500 kilometers (300 miles) southeast of Luanda.

In the Ethiopian capital. Addis Ababa, middle-level delegations from the two sides begun talks on ending the conflict. which erupted after UNlTA rejected the results of September elections and began to expel local authorities from two-thirds of towns across the country. Margaret Anstee. the UN representative at the talks. said that the negotiations had gotten off to a positive start.

O I O

F aikland War Crimes? Inquiry Starts

LONDON (Reuters) - British detectives will go to the Falkland Islands next week to investigate allegations that Argentine soldiers were victims of war crimes by British troops during the 1982 war, the police said Thursday.

Two detectives from Scotland Yard will arrive on the south Atlantic islands Feb. 2 for a four-duy visit. uA prime purpose of the trip is to liaise with local authorities," a spokesman said.

They will question islanders and the possibility of exhuming the bodies of prisoners of war will also be examined. Detectives have already interviewed serving and former British paratroopers. Allegations that Argentine prisoners of war were executed were published last year in a book by a former member of a ptiratrop regiment.

W.-

Omanis

Give Lift

T0 Vidwrs

Rz'uu'rx

LONDON - Vickcrs PLC

won an importum \$300 mil-
lion order for Challenger 2
tanks from 01111e on Thurs-
day. but analysts said the cm-
balllcd defense company was
not out of trouble ycl.

Prime Ministcr John Major
announced the order in Mus-
cat, Oman. after meeting the
countryk ruler. Sultan Quhoos
ihn Said. Mr. Major said ihe
contract - for IS tanks and
four support vehicles, with or-
ders for another 18 cypcclcd
later - will sustain lhc 1.800
jobs at Vickcrs two planks at
Newcastle and Leeds.

It was the firs! export order
for the tank and gave a much-
needcd hum! Io Vickcrs.
whlch 1051 u \$4.5 billion order
for 256 tanks and equipment
from Kuwait to the Abrams
MJAZ Of (icncml Dynamics
Corp. of the United States.
Vickcrs Iutcr fell out of the
race for a \$1.5 billion tank
order from Sweden.

This is a help zmd if there
are advance payments it will
reduce Vickcrs gearing." said
Sandy Morris. an analyst at
County Nachst Markets.

But he said Vickcrs would
need no win an order 10 up-
grade Britnink 420(11ullcngcr
l tanks to chp its plants
working through the 19905.

W...

-s-t... .., . . ,.

The Anoaaled Press

WASHINGTON - President Bill Clinton has dismissed the cancer specialist who served as George Bush's personal physician and will appoint his own White House doctor, officials said Thursday.

Dr. Burton J. Lee 3d said he did not know why he had been let go but that it had occurred after he refused to give Mr. Clinton an allergy shot.

White House aides said that Mr. Clinton was simply exercising his prerogative to choose his own doctor, and that the refusal of the allergy shot had nothing to do with the dismissal.

.V. -,.,.,. W..." t_...

resident F ires Doctor Who Balked

The White House press secretary, Dee Dee Myers, said that Mr. Clinton had "always intended to bring in his own personal physician."

Dr. Lee, who was fiercely loyal to Mr. Bush, said he had hoped to retain his post long enough to help career employees in his office keep jobs under Mr. Clinton's new doctor.

"I knew this would happen eventually, he said. '

Dr. Lee said he had not wanted to administer the shot until he received Mr. Clinton's medical records from Little Rock, Arkansas.

The former Arkansas governor is treated regularly for allergy problems.

n

French AIDS Expert

Breaks New Ground

By Barry James

Irtiz'nmliw/ Herald Tnhmw

PARIS -Dr. Lue Montagnier, who discovered the virus that was later identified as causing AIDS, on Thursday announced the creation of a private foundation aimed at turning laboratory experiments and even far-fetched theories into therapies.

He said some of the avenues being explored give reasonable-hope of extending the period between infection with the human immunodeficiency virus, or HIV, and the onset of AIDS from today's maximum of 10 years to 15 or 20 years.

"We can no longer depend on governments and international organizations," Dr. Montagnier said. "We must move faster and do better."

"The scientific knowledge and theories are there, but they haven't yet been tested sufficiently to produce a cure or a vaccine" he said. "We're in a position similar to the one in the United States, on the eve of the development of the atomic bomb?"

He announced the establishment of the World Foundation for Research and Prevention of AIDS, which he co-founded with Federico Mayor Zaragoza, director-general of the United Nations Educational, Scientific and Cultural Organization.

Dr. Montagnier said the immediate aim of the foundation was to establish three clinical research centers, in France, Africa and the United States, where new therapeutic methods can be tested on HIV-positive patients.

Bernard Kouchner, the French health minister, said the first center would be opened in Paris this year.

Each center will cost about 60 million francs to establish, with annual operating costs of about 50 million.

The foundation also plans to finance research into other viruses and bacteria that act in conjunction with the HIV virus to speed the onset of AIDS.

Arguing that relatively little has been done for patients in the 10 years since the discovery of the virus, Dr. Montagnier said, "The moment has come to move from the laboratory to the clinic and explore new avenues."

Dr. Jonathan Mann, head of the Global Aids Policy Coalition in Boston, welcomed the initiative, saying the existing fight against AIDS had become too bureaucratic.

"Too often today, people are defining effectiveness in AIDS programs in terms of things like getting their annual report in on time," he said. "It is thus really critical that some of the key figures in AIDS stand up like Luc Montagnier and say, 'Let's remember that we are here to find a cure. And let's ask ourselves what will it take and let's get going again'."

Although a vaccine or cure for the disease is nowhere in sight, Dr. Montagnier said it was realistic to expect an improvement in the time an HIV-positive person can live without symptoms. He said a symptom-free period of up to 20 years was achievable.

Up to now, he said, the main thrust of AIDS research had been concentrated on the HIV virus itself, rather on the immunological aspects of the disease.

International Herald Tribune, Friday, January 29, 1993

Consumers Give Lift to U. S. Growth

By Lawrence Malkin

International Herald Tribune

NEW YORK - Powered by consumer

spending, the American economy finished last year with a healthy burst of growth, the Commerce Department reported Thursday, but not enough to stop President Bill Clinton from publicly worrying about the lack of new jobs. In the fourth quarter, the U.S. gross domestic product grew at an annual rate of 3.8 percent, according to Thursday's first estimate, the best performance since 1988.

This figure is certain to be revised, just as the third-quarter figures were adjusted twice and settled at 3.4 percent. But most economists welcomed the two back-to-back quarters of growth as the definitive end of the four-year economic slog that marked George Bush's administration and said the economy was on an annual growth track of about 3 percent. For 1992 as a whole, the economy grew at 2.1 percent, its strongest showing since 1989.

This is a powerful advance in the private sector and has all the characteristics of a business recovery, said Allen Sinai of Boston Consulting Group while warning that activity in the current quarter would slip because consumer spending, capital investment, and especially the 30 percent increase in new housing could not keep pace until companies hire more workers and give them money to spend.

Final sales rose 4.5 percent, a pace most economists regard as unsustainable because consumers have been digging into savings to pay for their purchases and not enough new jobs are being created to replenish their reserves. The first quarter will also see smaller income-tax refunds than usual because of special election-year tax adjustments made in 1992.

In past recoveries, government spending has helped push growth to double the present recovery rate, but such options are not open, International Herald Tribune

to Mr. Clinton. Government purchases declined in the final quarter by 1.7 percent as defense spending continued to contract, and any attempts to force-feed the economy will run smack into demands by the financial markets and the Federal Reserve Board to cut the U.S. budget deficit.

Mr. Clinton, going into a White House meeting with Alan Greenspan, the Fed chairman, on Thursday morning, sounded what has become his administration's clarion call in the face of huge layoffs by major American corporations. Deflecting reporters' questions about the GDP figure, the president said he had heard a lot of troubling news about lost jobs. He added, "We've got a lot of work to do, a lot of work to do."

His principal task now is to craft an economic program that attacks low job creation in the short run and the budget deficit in the long run - two conflicting goals. Because even a slow withdrawal of the deficit stimulus will be a drag on the recovery. Even Mr. Clinton's ability to square this circle in the

public eye may affect the the course of the recovery itself.

David Hale of Kemper Financial Services said he figured the expansion had been partly itchan'sma-led" by Mr. Clinton's confidence-boosting promises of economic and political reform. The president must lay out specifics in his State of the Union address on Feb. 17. and if it bombs. he warned, llthis could turn into a Cinderella recovery."

Thus Mr. Clinton's meeting with Mr.

Greenspan was the monetary front of his effort to keep from turning into a pumpkin.

On Wednesday, Democratic congressmen tried without success to corner Mr. Greenspan into committing the central bank to cut interest rates and take up the slack in the economy if they vote to trim the deficit by limiting spending and raising taxes. As one Democrat said, if they did the right thing they did not want to be left tltwisting in the wind" by rising interest rates.

Mr. Clinton, with his senior economic aides at his side. seemed to be going about the same task with less fanfare and more subtlety. "It will be an implicit compromise. not explicit." said Mr. Hale, adding that the best Mr. Greenspan could do is say that interest rates will not go up much as the economy recovers.

Moreover. Mr. Greenspan cannot make such promises on his own. Some members of his board want to tighten monetary targets. which would mean higher interest rates as the recovery kicks in. And Mr. Greenspan himself. said David Wyss Of DRI/McGraw Hill. tlwill take his cue from the financial mar-

Overextended,

Serbs May Be

Vulnerable

By Peter Maass

Washington Post Service

LONDON - Independent military observers say that the Serbian forces that have seized large parts of Croatia and Bosnia may be overextended and vulnerable to a rollback.

As a new outbreak of fighting rages across the former Yugoslavia, the Serbs are no longer involved on just one front, but instead are engaged on several. Instead of facing little opposition, the Serbs are now facing more organized forces. Instead of conquering territory, the Serbs have now lost a little ground.

"They were never invincible?" said Michael Clarke, director of the Center for Defense Studies here. "As time goes on, NEWS ANALYSIS

the job they're trying to do gets more difficult and messy."

Mr. Clarke said he believed that the Serbs had fallen into the classic predicament of conquering more territory than they could hold.

"Their army is really not very good at fighting," he said. "They're good at sitting in the hills and lobbing shells at cities."

"But they're not good infantry troops," he said.

Nobody is predicting that Serbian lighters in Croatia and Bosnia will run for the hills in the coming months. There are too many of them, they are well armed and they are backed by the still-powerful Yugoslav National Army.

What's happening, experts say, is that a brutal, one-sided romp has turned into more of a toe-to-toe battle in which the momentum could start moving against the overextended Serbs.

One way to preserve their gains would be to negotiate for a peace agreement.

That appears to be the main reason why Serbian president, Slobodan Milosevic, viewed in Western capitals as the prime instigator of the warfare, has given his support to a United Nations-sponsored peace plan being negotiated in Geneva. But due to the shifting battlefield fortunes, the Bosnian president, Alija Izetbegovic, has become reluctant to accept the UN plan, which gives the Serbs de facto control of large chunks of his ravaged country. The plan calls for Bosnia to be split into 10 autonomous regions, with 42 percent of the territory dominated by Serbs.

Mr. Izetbegovic is being told by his military commanders that they can win the war or, at the least, make it unwinnable for the Serbs - especially if there is some form of Western intervention. The Bosnian leader can opt to walk away from the Geneva negotiations, accusing the United Nations of appeasing Serbs.

an aggression, although he would do so at the price of more misery for his people.

For the past year, the war between Serbs and Croats has remained largely dormant. The Croats have used the time to assemble a proper army and acquire decent weapons, despite the UN embargo on all arms shipments to the former Yugoslav republics. and they now feel capable of taking on the Serbs.

The shifting fortunes VECIC illustrated last weekend when the ('ro-tttiu Army crossed a UN ceitse-fire line and attacked Serbian rebels in Krajinu.

Diplomats in Geneva said the Muslim-led Bosnian Army had begun in recent months to purchase arms on the international black market with funding from friendly Muslim nations. The new. more-sophisticated arms - brought in across Croatian lines. the diplomats said - have enabled the Bosnians to begin scoring successes against the Serbs after nine months of losses. The still-outgunned Bosniztns, hemmed into Sarajevo and several other eneluvest are not on the xerge of chasing the Serbian fighters into Serbia. but they have started recapturing lost territory. HLittle by little. the situation has changed? said Mustafa Hajrulahovic. a Bosnian commander based in Sarajevo. .

UN mediators in Geneva said Mr. lzetbegovic's stiffer attitude at the peace talks was based on the prospect of increased arms deliveries and the possibility of foreign intervention. The Muslims believe they have momentum On the ground and in Western public opinion, diplomats suggested, to win a better deal by seeing the negotiations collapse.

Independent military strategists emphasize that heavy weapons are not enough to hold captured territory. The Serbs, they say. do not have enough soldiers to defend their front lines against well-mganixed opposition,

INTERNATIONAL HERALD TRIBUNE, FRIDAY. JANUARY 29, 1993

U.S. Looks Closer
At Taking Offensive
To Halt Balkans War

By John M. Goshko
and Don Oberdorfer

Washington Post Service

WASHINGTON -- In its first foray into foreign policy crisis management, the Clinton administration has expanded U.S. consideration of potential offensive actions in the Balkans civil war beyond the limited objectives pursued by the Bush administration.

US officials said that the National Security Council has asked for an interagency study to assess what would happen in Bosnia-Herzegovina and other parts of the former Yugoslavia if US policy remained unchanged. It also asked how much military force would be required to lift the long-standing Serbian siege of Bosnian capital, Sarajevo, and to open the roads to unrestricted passage of relief supplies throughout the republic.

The study, described by an official as "a comprehensive, wall-to-wall approach" to every aspect of the Balkans conflict, includes taking a new look at ideas considered by the Bush administration.

These include such options as shooting down Serbian aircraft invading the air-exclusion zone that the United Nations has decreed over Bosnia, bombing Serbian airfields and artillery positions, modifying the United Nations arms embargo to enable Bosnian Muslim-controlled government to obtain more weapons, using UN peacekeeping forces to prevent Serb-inspired aggression from spreading to Kosovo and Macedonia and establishing an international war crimes commission to identify and deal with perpetrators of atrocities.

But, the officials added, the unusually broad list of questions and options that were sent to the State and Defense departments and the Central Intelligence Agency suggested that the new administration was willing at least to consider a greatly expanded US. and international role in the Balkans.

The study was ordered in preparation for a meeting this week of President Bill Clinton's top diplomatic and military advisers, which would lead up to a full-scale National Security Council meeting, tentatively scheduled for next week, that would include the president.

During the presidential campaign, Mr. Clinton called for a more activist approach to the Balkan conflict. But the officials cautioned that it was not possible to predict what conclusions the new administration might draw from the study and what changes Mr. Clinton would order in US. policy.

Secretary of State Warren M. Christopher, following a private meeting with the House Foreign Affairs Committee, refused to discuss specific options. But he recalled Mr. Clinton's campaign remarks and said that Bosnia does seem to be a place where the United States needs to be activist and internationalist in our outlook?

However, Mr. Clinton may be inhibited, as was President George Bush before him, by the reluctance of Britain, France and Russia -

which, like the United States, are permanent members of the UN Security Council - to agree to tougher measures.

_On Capitol Hill, a nonbinding resolution being circulated in the Senate and the House called for stronger U.S. action in the Balkans, including the use of military air power to enforce the air-exclusion zone over Bosnia and to require Serbian forces to place their heavy weapons under international monitoring.

.v...

INTERNATIONAL HERALD TRIBUNE, FRIDAY, JANUARY 29, 1993

Top U .5. General Deserts Clintonk Plan
for Military Cuts

By Barton Gellman

Washington Post Service

WASHINGTON - The chairman of

the Joint Chiefs of Staff, yielding to pressure from his fellow chiefs, is preparing to release a plan for the armed services that rejects President Bill Clinton's call to save ubillions of dollars, by eliminating redundant military capabilities.

General Colin L. Powell's report, his first broad assessment of the division of labor in the post-Cold War US. military, abandons or retreats sharply from nearly all his earlier major proposals to divest the armed services of duplication and inefficiencies.

If presented as expected in its current form to Defense Secretary Les Aspin, it would mark the senior uniformed leaders' second direct rebuff of the declared priorities of the new administration.

Titled "Roles, Missions and Functions of the Armed Forces of the United States," the Jan. 22 draft, marked "Close Hold-Sensitive" finished circulating Wednesday among the service chiefs and the 10 four-star generals and admirals who hold major combatant commands.

In a modestly more ambitious Dec. 18 draft, a copy of which has also been obtained by The Washington Post, General Powell had called for abolition of all 12 Air National Guard interceptor squadrons still ready to defend against Soviet bombers; elimination of the army and navy space commands; an end to the air force role in rescuing pilots downed in combat; transfer of operational control from the air force to the army of fixed-wing aircraft that attack enemy troops close to US. positions on the ground, and a shift of control from the services to the US. Transportation Command of the small jets used to ferry military executives around the world.

None of those proposals survived what participants called a heated internal debate, as each service strove to protect its turf.

The subject of General Powell's report, although somewhat technical, is basic to the structure and fortunes of the military services because it allocates combat assignments among them. Those jobs, such as protecting American troops from air attack, carry with them authority to field troops, buy equipment and create commands for generals and admirals. In many cases they are currently performed by more than one service.

The debate over streamlining the assignments, which were last changed fundamentally at a 1948 meeting of service chiefs at Key West, Florida, received a major impetus in July. The Senate Armed Services Committee chairman, Sam Nunn, Democrat of Georgia, called for a "no-holds-barred, everything-on-the-table review" aimed at cutting the tremendous redundant

dancy and duplication" in the face of Washington's growing fiscal crisis and the declining threat from the former Soviet Union.

Mr. Clinton, who was under pressure to show how he would save money while retaining the capability to intervene militarily anywhere in the world, endorsed Mr. Nunn's views in the major national security speech of his campaign.

"We have four separate air forces - one each for the Marines, army, navy and air force," Mr. Clinton said.

He added: "While respecting each service's unique capabilities, we can reduce redundancies, save billions of dollars and get better teamwork."

INTERNATIONAL HERALD TRIBUNE. FRIDAY, JANUARY 29, 1993

Aspin to Bolster Pentagon Role
in Foreign Policy

By Michael R. Gordon
New York Times Service

WASHINGTON - In a sweeping overhaul of the Defense Department, Secretary Les Aspin is creating posts on human rights, arms proliferation and the conversion of military industries, a plan intended to strengthen the Pentagon's involvement in foreign and domestic policy.

Among the least traditional of Mr. Aspin's choices for the new jobs is Morton H. Halperin, a former official in the Johnson and Nixon administrations who fought a long legal battle with Henry A. Kissinger over wiretapping and who later served as director of the Washington office of the American Civil Liberties Union. He is Mr. Aspin's choice for assistant defense secretary for democracy and human rights. In reorganizing the Pentagon, Mr. Aspin is forming a 1990s group of the "best and the brightest" to deal with foreign policy issues, drawing on specialists from Harvard University and the Rand Corp., as well as present and former government officials.

Altogether, Mr. Aspin's plan and personnel choices are intended to forge an approach and structure for dealing with the fact that the United States is facing with the end of the Cold War. These include the possibility that democratic reforms in Russia might fail, the spread of weapons of mass destruction, the surge in ethnic strife and the need to retrain workers in the arms industry.

But some critics assert that Mr. Aspin's plan is a power play to strengthen the Pentagon's hand on foreign policy at the expense of the State Department. They assert that the plan may divert Pentagon resources from its primary task: overseeing the linking of the military and maintaining and equipping the reduced forces. It is driven more by the bureaucratic politics of competing with the State Department than dealing with the essential functions of the Defense Department," said Zalmay M. Khalilzad, who was the Pentagon's head of policy planning in the Bush years. It is ironic that at the time we are going to cut back the forces, the number of senior management officials in the policy domain is increasing.

Under Mr. Aspin's plan, the usual civilian Pentagon functions will be handled by four branches: weapons acquisition, personnel and readiness, the office of the Pentagon comptroller and an office of national security policy.

The weapons acquisition branch is to be headed by John M. Deutch, a former undersecretary at the Energy Department, and a former provost and a professor at the Massachusetts Institute of Technology.

Personnel and Readiness will oversee the reserves, health affairs and the readi-

ness of the forces. The Pentagon comptroller will serve as the chief financial officer. These appointments have not been disclosed yet. The policy branch is to be headed by Frank G. Wisner, a former ambassador to Egypt and high State Department official. He will assume the post of undersecretary of defense for policy. Mr. Wisner's main deputy will be Walter B. Slocum, an expert on arms control and nuclear forces who was a senior Pentagon official in the Carter administration. It is the policy branch that is being reshaped to deal with the new issues. The post is that of assistant defense secretary for democracy and human rights. It will address military assistance to foreign governments, the training of foreign military forces, American policy on peacekeeping and humanitarian operations undertaken by the military.

Mr. Aspin's choice for this post is Mr. Halperin, who served in the Pentagon under President Lyndon B. Johnson and on the National Security Council staff under President Richard Nixon.

Mr. Halperin became known for his lawsuit against Mr. Kissinger, accusing him of authorizing a wiretap of his home when Mr. Halperin worked for the national security adviser. This long chapter left over from the Watergate scandal was closed in November, when Mr. Kissinger wrote a letter of apology and Mr. Halperin dropped the suit.

Another new post is that of assistant defense secretary for nuclear security and counter proliferation. It would be in charge of arms control, efforts to stem the spread of weapons of mass destruction and eliminate nuclear weapons in the former Soviet nations, and policy on nuclear forces and anti-missile defenses.

That position is to be filled by Ashton B. Carter, director for the Center for Science and International Affairs at Harvard's John F. Kennedy School of Government.

Mr. Carter has a doctorate in physics from Oxford and has written on a wide variety of national security issues.

During the Reagan administration, Mr. Carter was a critic of its plans to build a space-based, anti-missile system. More recently, he has devoted much of his energies to plans to remove nuclear weapons from former Soviet nations and prevent the nuclear weapons from falling into the wrong hands.

A new assistant defense secretary for economic and environmental security will deal with the conversion of the military industries to civilian production and with retraining workers.

The Pentagon job of policy planning is to be raised in status. Graham Allison, the former dean of the Kennedy School and the advocate of the "grand bargain" plan to send billions of dollars of aid to Moscow, is to be an assistant defense secretary for plans and policy. As such, he will address long-term strategic issues.

Edward L. Warner, a Rand expert on the Russian military and on arms control, is to be the assistant defense secretary for strategy and resources. He will have responsibility for preparing the classified Defense Policy Guidance, which is used to guide the military services in preparing budget plans. He will also play an important role in devising a new structure for the armed forces as Pentagon spending declines.

Jock P. Covey was the initial choice to assume the new job of assistant defense secretary for regional affairs. But the prospects for Mr. Covey, who was brought in at Mn Wisner's suggestion, are unclear following news reports highlighting his role as a State Department aide on Middle East affairs who helped shape policy toward Iraq before Saddam Hussein's 1990 invasion of Kuwait.

European Firms

Are Lining Up

For Iraqi Oil .

Companies Are Said to Seek

Deals to Tap Reserves

After Embargo Is Lifted

By PETER WALDMAN

Staff Reporter of THE WALL STRlil-IT JuUitN/u.

BAGHDAD, Iraq-Several European oil

companies are negotiating secret con-
tracts with Iraq to tap its enormous petro-
leum reserves after international sanc-
tions are lifted. according to Iraqi busi-
nessmen and United Nations officials.

And after some not-so-subtle hints from
Saddam Hussein's government, some for-
eign companies hoping to do business with
Iraq are sweetening the pot up front with
donations of humanitarian relief supplies
to the embargoed nation.

ttSome Western companies are finding
that by sending food and medicines, they
can maintain a certain level of contact"
with Iraqi officials. said a representative
of foreign companies here.

The arrangements under discussion
include concessions for foreign companies
to develop certain Iraqi oil fields for as
many as 20 years. barter deals of technol-
ogy for oil and straight oil sales. said Iraqis
close to the country's oil ministry. The
talks, which one UN. official said have
already resulted in several letters of intent
signed by foreign companies with Iraq.
donlt violate UN. Security Council sanc-
tions. provided the transactions don't oc-
cur until the embargo is lifted.

U.S. IS iLeft Behind'

But the willingness of some Western
countries and not others - notably the
U.S. - to allow commercial contacts with
Iraq raises the question of whether a head
start now could give some companies a leg
up later. Indeed, one Iraqi businessman
with close ties to Iraq's oil bureaucracy
argues that American oil companies are
being ttleft behind." as the world's second-
largest oil reserves are divided up for
future development.

ttThe British and the French bombed
Baghdad. and theylre talking to Iraq,"
says this Iraqi, who favors U.S. participa-
tion. ttWhy aren't the Americans?"

Iraqi officials refuse to discuss details
of their contacts with foreign companies.
except to acknowledge considerable inter-
est abroad in re-establishing commercial
links with Iraq. An Iraqi close' to the oil
ministry said representatives of compa-
nies in Britain, France, Germany and
Greece have held talks with Iraqis in
Baghdad and Europe.

They are sticking to the embargo in
policy terms, but there is a will from many
companies" to discuss the future. said

Crude Awakening

lraqls annual average crude oil production, in
millions of barrels per day

3.0

215

, k 2% , ,

87 '88 it!!! '90 '91 '9?

1983 '84 '85 '86-

"through October 1992

Source: Oil 8. Gas Journal

Iraq's minister of trade, Mohammed

Mehdi Saleh.

NO Curb On Relief Supplies

As for the donations of relief supplies, humanitarian aid to Iraq isn't restricted under the UN. embargo. But the unexpected size of corporate contributions has helped Saddam Hussein maintain his rule.

The UN. Sanctions Committee in New York doesn't keep tabs on who pays for humanitarian shipments to Iraq, so it is impossible to identify the specific donors. But U.N. officials who track aid to Iraq said corporate contributions help explain how Saddam Hussein's regime has sustained key imports of sugar, rice, wheat and tea since September. when the Security Council barred it from using frozen assets abroad to buy food. UN. officials also report that the Iraqis have recently become much more direct on the subject of philanthropy.

Says a senior UN. official connected to food distribution in Iraq: "My contacts at the Iraqi Foreign Ministry are saying that a real friend is a friend in need. If anyone can make a good gesture now, they say it will be doubly appreciated later."

Usinor Sacilor SA

France's State Steelmaker

Says Loss Narrowed for '92

French state-controlled steelmaker

Usinor Sacilor SA reported that it narrowed its net loss in 1992 to 2.4 billion francs (\$446.9 million) from 3.1 billion francs in 1991.

The group, one of the world's largest steel companies, blamed world economic conditions for its difficulties, saying that it doesn't see an upturn in the first half of 1993.

The steel group said it doesn't expect to see the effect of a price rise for steel until the second half of the year.

Cash flow fell to 1.8 billion francs in 1992 from 3.1 billion francs in the year-earlier period.

The group said that given the circumstances, it expects industrial investments to slow sharply.

.r THE WALL STREET JOURNAL FRIDAY. JANUARY 29, 1993
INTERNATIONAL

lilsraelk Supreme Court: Backs Expulsion
Of Palestinians, Posing Test for Clinton
Israel's Supreme Court backed the gov-
ernment's decision to expel 415 Palestin-
ians to Lebanon, a decision that set up the
first test of the Clinton zulministration's
a support of Israel and further jeopardizes
the floundering Mideast peace talks.

But the court did provide a way for
.Yitzhak Rabinls government to try to

By Wall Street Journal reporters
Robert S. Gremberger in Washington
and Amy Doekser Marcus in Tel
Auto.

-defuse the problems. Finding that his
- government acted improperly by deporting
the Palestinians without a hearing, it
effectively gave Israel the chance to com-
ply retroactively by allowing the deportees
to appeal theiij expulsions before mili-
taryjudges. The Israeli government imme-
diately announced it was setting up such
an appeals process. But it insisted it
' wouldn't permit a return of the deportees
in the meantime.

Resolution at UN.

US. officials are under pressure to
ghead off a United Nations resolution that
. would impose sanctions on Israel if it
doesn't permit the return of the Palestinr
? ians, who belong to the Islamic fundamen-
talist llamas group that was responsible
for a surge of violence in Israel last year.
The Clinton administration, following past
practices, would most likely veto a resolu-
tion imposngr sanctions against Israel. But
the U.S. wants to avoid friction at the U.N.,
. where its working with other nations to
enforce sanctions against Iraq, Libya and
the former Yugoslavia.

The court action also creates a problem
tor the Palestine Liberation Organization
' and the Palestinians who are participating
in peace efforts. They are calling for the
U.N. penalties unless the llamas members
Hare permitted to return, but also they want
1

to resume peace talks to hear the new US.
Iadministratioa's ideas. llamas would like
to scuttle the peace talks, and the PLO
doesn't want to give a big victory to the
group, which is a rival for the loyalty of
fPalestinians in the Israeli'occupied West
a Bank and Gaza.

, Mr. Rabin. for his part. finds him-
self maneuvering between the demands of
the Israeli public, which overwhelmingly
opposes allowing the deportees to return
even if the UN. imposes sanctions on
Israel. and the ministers in his own eahi
net. a majority of whom favor repatriation,
according to a recent poll.

"It's very hard when people are dug in
as they lthe Israelis and Palestinians! are
to find an elegant solution." said William
Quandt, a Mideast expert at the Brookings
Institution in Washington.

Search for a tCredible 'Proeess'

A Clinton administratimt ollieial said

the U.S. wants Mr. Rabin to come up with a credible process." because that will help Washington persuade UN. Security Council members to delay a vote on the sanctions resolution. The U.S. official said the Palestinians need to be assured that the period of expulsion for the deportees will be shortened.

Some Arab diplomats are working behind the scenes to put off a UN. vote imposing sanctions on Israel. These diplomats say they don't want to undermine Mr. Rabin, who they believe is seriously interested in pursuing peace. An Arab diplomat also said that moderate Arab states don't want to force Mr. Clinton to veto a UN. resolution. "Nobody wants to embarrass the new president," the diplomat said.

One possible way to avoid such an embarrassment, according to some diplomats, would be for the U.N. to approve a resolution condemning Israel's action but not imposing sanctions. The U.N. approved such a resolution in December and could do so again, perhaps with harsher language. The U.S. voted for the resolution in December.

Secretary of State Warren Christopher plans to go to New York Monday for general talks with UN. Secretary General Boutros-Ghali, and the issue of a UN. resolution on the deportees is expected to be high on the agenda.

Regardless of what Mr. Rabin does, it isn't certain that the deportees will cooperate over their own return. Their plight has won them considerable world sympathy, and they have no interest in promoting the peace talks with Israel. Lea Tseinel, an attorney for the deportees, said she would recommend that her clients not appeal the expulsions; she said that international pressure on Israel would result in their return more quickly than the Israeli legal system.

THE WALL STREET JOURNAL FRIDAY, JANUARY 21. 1983
OPEC, Once the World's Big Bad Wolf,
Has Lost a Good Deal of Its Bite Lately
WORLD
ECONOMY .

By ROBERT KEATLEY

Staff Reporter from WALL STREET JOURNAL.

WASHINGTON - A campaign by major oil exporters to cut production and raise prices, which is probably doomed to fail again, is a reminder of how far they have fallen as players in the world economy. Bankers and statesmen once worried that all the petrodollars sloshing through global money markets would permanently disrupt the world financial system. So they found an infamous solution: vast sums were "recycled" through Western banks to needy Latin Americans and others, turning a difficult surplus problem into a complex debt crisis. This boisterous lending raised developing countries' debt sixfold to \$500 billion, an amount it seemed they could never repay.

This "sovereign" debt also shook some recycling banks (especially U.S. ones) down to their vault-lined foundations. Years of austerity followed before either banks or borrowers began regaining their financial health.

Now, instead of worrying about what to do with all their cash, the 12 members of the Organization of Petroleum Exporting Countries worry mostly about how to make ends meet. They've become big-time borrowers themselves. From Saudi Arabia to Nigeria to Venezuela, they seek extra funds to finance budget deficits and industrial imports, whether tanks to help Kuwaitis deter Saddam Hussein or bulldozers to slash open Borneo's forests, or simply to subsidize luxury relatives. None of OPEC's main members is living within its means, nor is likely to anytime soon. Yet, in one sense, nobody cares. The days when OPEC's policies struck fear in the hearts of oil consumers are, largely over. Henry Kissinger once launched an emergency plan against what he considered OPEC plans to weaken the West with its oil weapon. Now there is relative complacency about long-term price and supply prospects, and bankers seldom even consider what OPEC may do.

As an organization, we don't see them at all," says Gerhard Graebe, senior economist for Bank Julius Beer in Frankfurt. For all that, this is hardly a trivial clutch of countries. The group still produces 40% of the world's oil and accounts for most of its exports and reserves.

OPEC'S complex machinations can make prices yo-yo on global markets. At least briefly, while its immense appetite for manufactured goods and capital equipment has been a rare bright spot lately for the industrial world's exporters. For countless banks these nations remain major clients.

But their clout is gone. OPEC'S erstwhile cohesiveness has dissipated (a 13th

member, Ecuador. even resigned recently). Typically, Suutli Arubiu hopes to manipulate the market by getting broad production cuts with others (doing most of the cutting. This probably won't work. ()PEC's recurring production Ceilings are seldom honored; most members need the income too much. _ . And ()PECS tli)lllly to control world markets is weakening. With America's slow recovery. Europe's slump illlly. lize pan's uncertainty, demand is sluek. livene tuully, new supplies will flow from Russia and elsewhere. while lmq someday must resume large-scale exports. Add higher U.S. energy taxes, more use of natural gas plus :1 bit of conservation everywhere. and ()PEC's ability to set market terms erodes further.

Meuntinie. its members need cash now; costs of new weapons 01' economic development are enormous. Many have murky state finances but unpublished figures say, for example. that Saudi Arabia's internal debt has soared to \$50 billion (from zero four years ago) while external debt is \$4.5 billion. Kuwait ran a \$70 billion deficit over its past two fiscal years and bus debt near \$40 billion. lrun's current account deficit for 1991 was \$1 billion.

"Only the tltnited Ambl Emirates are still creditors" says 21 U.S. bunk et-onomist; in 1992 the UAE bud a \$672 million payments surplus.

This switch to ('zipitzil consumption (ti-verts funds from others. but even here ()PEC is only a third-level contributor to tiny global shortage. For bigtime debtors like the U.S.. the declining role of Japan and Germany is more crucial; both have cut overseas lending. "They're much more significant than OPEC," says Philip Veiu leger of the Institute for International Economics.

But while cutting back on lending and investing, OPEC can still spend. In the first 11 months of last year. for example. U.S. exports to Saudi Arabia were \$6.5 billion. to Venezuela \$5.1 billion. to the UAE \$1.1 billion and to Kuwait \$1.2 billion - all roughly 10% above. :1 year earlier. So OPEC remains important. But it no longer wields the great financial power that once made the world uneasy, and those dtiys seem gone for good.

WORLD WIRE

RUSSIA, INDIA RESOLVE DISPUTE

Russian President Boris Yeltsin mended fences with India, reaching deals on debt repayment and new factories to make spare parts for the Indian military. The two countries resolved 21 major dispute over how much India owes Russia for military and commercial trade in the Soviet era. India had claimed it owed Russia \$12 billion, while Russia had insisted on \$15 billion. The dispute stemmed from the sharp drop in the value of the ruble. The two sides agreed on an amount for the debt principal, but a figure for the settlement wasn't disclosed.

Mr. Yeltsin, on a three-day visit to India, also said the two countries would set up a factory in India to make military spare parts. Since the collapse of the Soviet Union, Russia has been unable to supply enough spare parts for the billions of dollars of military equipment the Soviets sold to India at bargain rates.

For decades, India was the Kremlin's closest ally outside the Soviet bloc; New Delhi bought 80% of its military hardware from the Soviet Union.

AUSTRALIAN ECONOMY LIMPS ALONG

Australia cut its forecast for economic growth for the fiscal year ending June 30 to 2.5% from 3%, indicating the country is having a harder time recovering from recession than anticipated. A weaker-than-expected global economy was cited as a major reason for the revised forecast. the latest in a series of downgradings as government efforts to kick-start the economy have failed to take hold. ()ne spot of good news: The government announced that inflation fell to the lowest level in 30 years - 0.3% for the past 12 months.

RUSSIA TO RAISE GAS PRICES

Gazprom, the Russian natural-gas monopoly, said domestic gas prices will nearly triple beginning Monday. The price of natural gas for home heating and other domestic uses will be increased to 600 rubles (\$1.05) per 1,000 cubic meters. from 216 rubles. The price for gas for industrial customers will rise to 4,000 rubles (\$7) per 1,000 cubic meters, from 1,100 rubles.

EC WOULD WELCOME U.S. TAX

The European Community Commission has welcomed the possibility that the Clinton administration will impose energy and environment taxes. A U.S. tax could remove an important obstacle preventing the EC from adopting its own energy taxes. The EC Commission has proposed a tax on all forms of energy rising from the equivalent of \$3 a barrel of oil this year to \$10 a barrel by 2000. The EC said last spring it would proceed with its planned taxes only when other developed countries, such as the U.S. and Japan, announce similar measures. While Japan showed interest in energy taxes, former President Bush took a firm stand against them.

TREUHAND TRIES MATCHMAKING

The Treuhandanstalt. in an effort to help eastern German companies find international business contacts. has launched a t'niatchmaking" program in an effort to encourage suitors interested in informal business relationships. The German agency, charged with privatizing the remains of East German industries. has compiled a matchmaking list available in a 76-page catalog. The catalog lists about 500 companies from Europe, the U.S. and Japan interested in doing business with eastern German enterprises.

TRUFFLES BY THE TON

France's black truffles are flourishing again after several lean years of drought. Better weather means this year's crop is likely to reach 30 to 40 tons. more than double last years haul. Fresh. unwashed black truffles are fetching around \$100 a pound in the country's main truffle-growing area; last season's buyers paid as much as \$234 a pound for the delicacy. But while prices have plunged, consumers aren't seen loading up their shopping carts. tlThe situation has simply reverted to normal." said a wholesaler. ltThe exorbitant prices of the past two years were catastrophic for the industry."

U.K. TRADE GAP WIDENS SHARPLY

Britainls trade deficit widened sharply last month as exports fell and the pounds recent decline pushed up import values. The countrys merchandise trade gap widened to 11.74 billion (\$2.63 billion) in December from 11.41 billion in November. The deficit was the largest since July 1000, when it was at 1100 billion. The deficit hit a record of 12.5 billion in August 1989. Exports edged down to 1917 billion from 19.20 billion in November, while imports rose to 110.91 billion from 110.62 billion. The deterioration was more than many economists had forecast and heightened concern about what will happen later this year if sterling remains weak and European economies slow further as expected. The rise in import values was expected, given the steep decline in sterling since its departure from the European Exchange Rate Mechanism in September. The pound is currently down about 15% from then. The trade figure brought the total current account deficit for 1992 to 5113.77 billion from 110.29 billion in 1991.

POSTSCRIPT . . .

Japan's waning kimono industry. hit by changing consumer tastes, received a boost with the setting up of a foundation to promote the country's traditional dress.

-Compiled by Jeff Sutherland

.jConservatives Fighting for Positions
\$Remaining in Clinton Administration

By MICHAEL K. FRISBY

Staff Reporter of T111; WALL STREET JOURNAL
3 WASHINGTON- Conservative Demo-
icrats am starting to flex their muscles to
.gain appointments in the Clinton adminis-
ftration after losing out on a numbel of
searly jobs.

. ' One battle is over who will direct the
'United States Information Agency, which
.bl0adcasts inf0lmat1on about the U. S
'ab1oad. The leading candidate for weeks
has been Joe Duffey, the president of
.American University, who 15 a liberal.

' But neo- conservatives are pushing
Penn Kemble a senior associate at Flee-
ddm House a conservative human right
sadvoaey group. Both Mr. Kemble and
.Mr. Duffey have ties to Mr. Clinton. Mr.
Duffey and his wife, Anne Wexler. are
Ilongtime friends of the Clintons. while Mr.
Kemble was an adviser during the cam-
paign and duling the tlansition.

Mr. Kemble is said to have written
much of the successful speech that M1.
Clinton delivered 111 October. saying ad-
vancing democracy would be his No. 1
foreign policy goal.

fNot Many Conservatives

_ Thus far. Mr. Clinton has surprised
many of his supporters by not appointing
many conservative Democrats to posts.
When he chose his longtime aide Carol
Rasco to be his domestic policy adviser.
'it was a setback for the moderates. Many
expected Bruce Reed to get the job, but
both he and William Galston were rele-
gated to be Ms. Rascois deputies. Messrs.
Reed and Galston have ties to the centrist
Democl2ltic Leadership Council

1 With Mr. Clinton often vague about his
'own ideological leanings the jockeying for
posts in his government has glown fierce
and both sides want the opportunity to
sway the president.

1 An especially nasty fight is for the job
of assistant seeietary of state for inter-
American affaiIS It was widely expected
that Mario Baeza, 21 black Cuban-Ameri-
can Wall Street lawyer, would be ap-
pointed. But right-wing CubaneAmericans,
arguing that Mr. Baeza is soft on Cuba.
have launched a telephone campaign
against him. Their strategy appears to
have backfired. however. with their own
choice for the job. Sally Shelton Colby,
former ambassador to Barbados. ending
up tainted by their aggressive lobbying
efforts. People close to the administration
now predict that a third candidate could
get the job.

Ken Brody, a Goldman, Sachs & Co.
limited partner who also has ties to the
Democratic Leadership Council, has
emerged as the leading contender to head
the Export-Import Bank, a government
body that essentially finances exports by
U.S. firms.

The former Republican led a widely
successful Clinton fund-raising drive 011

Wall Street. Mr. Brody, whose background is in investment banking, doesn't bring with him much experience in the import-export business. Many exporters were pushing Stuart Elzenstat, a lawyer at Powell, Goldstein, Frazer & Murphy and former Carter assistant for domestic affairs and policy.

Mr. Brody became the leading candidate largely because of his fund-raising successes for the Clinton campaign. Robert Rubin, head of M1: Clinton's new National Economic Council, also came from Goldman, Sachs, a New York investment firm.

The liberals are also fighting back. When Energy Secretary Hazel O'Leary was said to favor John Deutch, former undersecretary in President Carter's Energy Department, for a top post, environmentalists campaigned hard against it.

Mr. Deutch, who is a professor at the Massachusetts Institute of Technology, has advocated that the Energy Department's laboratories continue to focus most of their efforts on nuclear weapons research; President Clinton and a growing cadre of experts favor reducing weapons research and redirecting the efforts of the labs toward civilian purposes.

Now, Mr. Deutch is said to be in line for a job at the Pentagon.

In addition, Ruth Harkin, wife of Sen. Tom Harkin, is said to be slated to be named head of the Agency for International Development. Her appointment would please progressives who were disappointed when she was considered, but not chosen, to be agriculture secretary.

In a State Department battle, Joshua Muravchik is, sinking fast for the job of assistant secretary for human rights. Mr. Muravehik, who was with the American Enterprise Institute, is a neoconservative and former Reagan Democrat. His candidacy for the position has been hit hard by human rights groups. Their choice is John Shattuck, who has worked for the American Civil Liberties Union and Amnesty International. Mr. Shattuck is now seen as the likely front-runner, but other candidates may also be considered.

Policy Dispute

There is also a policy dispute under way with an ideological twist. Some administration officials want to merge the Arms Control and Disarmament Agency into the State Department. Human rights activists, however, would rather see a strong director appointed to help the independent agency regain the influence it once held. If Mr. Clinton decides to keep the agency separate from the State Department, possible candidates to head it are Joseph Nye, 21 Harvard University professor, and Sidney Drell, who worked on the transition and is associated with Stanford University.

Separately, Mr. Clinton may be having second thoughts about whether to appoint Alan Leventhal, a Boston developer and

fundraiser. to head the General Services
Administration. Mr. Leventhal's friends
contend that the president had decided to
make the appointment two weeks ago. but
it has yet to be announced.

-Asm Q. A'mnrmi (lnd 7'1'nml/11/ Mm);
contributed (a (his (1111110.

THE WALL STREET JOURNAL

M

M

JANUARY 29, 1993

Riyadh in
5:14bn arms

deal with
Britain

AN' AGREEMENT to sell 48
Tornado aircraft, estimated to
be worth \$24bn-f.5bn, to Saudi
Arabia was reached late last
night by Mr John Major and
King Fahd, the ruler of the
Gulf state.

The deal is believed to be
one of the largest export
orders won by UK.

The announcement came at
the end of lengthy talks in
Riyadh and represented real
progress after over four years
of apparent delay on the sec-
ond phase of the Al Yamamah
project _ an inter-government
accord between the UK and
Saudi Arabia begun in 1985.
The project covers the sale
of aircraft, warships and other
defence infrastructure, as well
as training and refurbishment.
Britain is estimated to have
already supplied illobn
defence-related equipment
under the project.

Last night's deal represents
a success for Mr Major, who
has faced relentless bad news
on unemployment, and for
British Aerospace. However, it
remains uncertain whether the
confirmation will be given for
orders for three vessels for the
Saudi navy expected by Vosper
Thornycroft Holdings, naval
shipbuilding and engineering
group.

The Al Yamamah project,
negotiated when Mrs Margaret
Thatcher was prime minister,
is implemented by British
Aerospace and currently sus-
tains about 33,000 jobs in the
UK, largely in the north-west.
Under the first phase, BAe
supplied 72 Tornados and 30
Hawk trainer jets but the sec-
ond phase has been postponed
by problems over financing
and by the Gulf war.

Mr Major had been joined in
Riyadh last night by Mr Jona-
than Aitken, minister for
defence procurement, and Sir
Alan Thomas, the Ministry of
Defence's head of dot'onru
export sales.

FINANCIAL TIMES

Fri'day January 29 1993

US keen to avoid UN action
against Israel

By Hugh Carnegie In
Jerusalem

THE US government said last night it opposed any early moves against Israel at the United Nations following the approval by the Israeli High Court of the expulsion of more than 400 Palestinians to Lebanon. The US called for more time to resolve the issue diplomatically. —

The unanimous decision by the court's seven judges prompted a call by the Palestine Liberation Organisation for the urgent imposition of sanctions to force Israel to abide by UN Security Council resolution 799, which demanded expulsions be reversed. ,

But Washington, despite backing resolution 799, is anxious to avoid any further deepening of a crisis which threatens the future of Middle East . peace talks. "We're in the process of consulting with the Israeli government on next V steps, which can resolve the issue," said Mr Richard Boucher, State Department spokesman. ttThose diplomatic efforts have to be given a chance to succeed. We dont think it's time for a debate in the Security Council on sanctions."

Mr Yitzhak Rabin, the Israeli Prime Minister, said the cases of all the deportees would be reviewed by the authorities, but otherwise gave little sign of compromise. He said he looked to the US to protect Israel at the UN. "This has been the policy of all presidents and all administrations of the US. Certainly that is what I expect."

Mr Rabin said he believed peace negotiations would resume and succeed. But Palestinian leaders and Arab governments said the high court ruling damaged peace efforts. The PLO repeated it would not return to talks until the deportees went home.

The court said the expulsion of the 415 alleged Islamic fundamentalist militants was legal under an emergency regulation promulgated in 1945 under the British mandate. Although annulled by Britain, Israel con-

tinues to recognise mandate orders. The high court rejects the UN insistence that the fourth Geneva convention, which bars expulsions, applies to the occupied territories. It said a new expulsion order issued when the Palestinians were banished in December was illegal. But it nevertheless upheld the individual orders against the men as legal under the 1945 regulation.

The court insisted that those expelled be able to appeal personally against their removal. But it accepted the government's submission that it could expel them without the right to prior appeal under the prevailing circumstances. The expulsions followed a spate of killings of Israeli soldiers by Islamic militants.

The army said it would provide facilities for appeals in 'Lebanese territory it occupies close to where the deportees have been camped for six weeks. The deportees say they will refuse to appeal.

Some Israeli lawyers said the rulings opened the way to further mass expulsions. Palestinians said they showed that the Israeli legal system was a sham when it came to Palestinian rights.

Mr Rabin said he hoped the international community would take note of the high court's reference to examples in US and British law where the right to prior appeal was waived.

W

Major
tries to
reassure
Gulf allies

By Ralph Atkins in Riyadh
MR John Major, British prime
minister, yesterday sought to
reassure the UK's Gulf allies
— the US and France — that
attacks on Iraq were not
intended to break up that
country.

Speaking in Oman, he said
the allied governments were
united in strategy against
President Saddam Hussein of
Iraq. "I am quite confident of
that," Mr Major said, in spite
of some evidence of tension
over recent attacks. Later, Mr
Major dined with King Fahd of
Saudi Arabia in Riyadh.

The prime minister was con-
scious that Oman and Saudi
Arabia are concerned about
Iraq's greater strength as a
regional power no longer
checked by Iraq. But, in his
talks with Sultan Qaboos of
Oman, he would have empha-
sised that allied strikes
enforced United Nations reso-
lutions and international law.

Mr Major's discussions also
covered the Bosnian situation.
He played down the chances of
UK military intervention to
protect Moslems there, saying
that helping humanitarian aid
and searching for a political
settlement were, "for the time
being, the way forward."

He told a news conference
"that he supported calls for the
400 Palestinians expelled by
Israel "to be returned from
whence they came."

President Saddam Hussein
held talks with the Iraqi mili-
tary for a fifth day yesterday.
The latest in a series of highly
publicised meetings, Reuters
reports from Baghdad.

Mr Saddam has had seven
meetings with military offi-
cers, many with the air force.
The reason, whether morale
boosting or operational plan-
ning, was not immediately
clear. UN weapons inspectors,
reported that their first inspec-
tions of the Bill Clinton presi-
dency were proceeding with-
out incident. Mr Maurizio
Zifferero, chief nuclear inspec-
tor, on his return from inspect-
ing a site in northwestern Iraq
said yesterday Baghdad was
co-operating thus far.

FINANCIAL THVIICS FRIDAY JANUARY 29 1993

g t ()ccidental Petroleum
to sell off coal business;

By Karen Zagor In New York

OCCIDENTAL Petroleum, the Los

Angeles-based energy group, yesterday revealed that its coal business was up for sale and said the company would take a fourth-quarter, non-cash after-tax charge of \$600m to cover the costs of divesting it.

The announcement ended months of speculation about Occidental's plans for its coal operations. Although the company had indicated coal was no longer a core business, it had never said it planned to leave the business. Occidental's long-term debt and commercial paper under review for potential downgrading. It cited concern over the financial performance of Occidental's core business and its continuing high financial leverage, despite substantial restructuring efforts undertaken by the company since 1991".

Standard & Poofs, however, affirmed its ratings on Occidental's senior and subordinated debt and its commercial paper, reflecting "the solid business positions of Occidental's oil and gas, petrochemicals, and natural gas pipeline businesses. Also, S&P anticipates the financial profile to improve from subpar levels over the next several years."

Occidental turned in fourth-quarter income from continuing operations of \$14m, or 5 cents a share, compared with \$7m, or 2 cents, a year earlier.

Including discontinued operations, the company had a net loss of \$588m, or \$1.94, in the latest quarter against net income of \$6m, or 2 cents, in 1991. Sales slipped to \$2.3bn in 1992 from \$2.5bn in the 1991 quarter. 1

Mr Ray Irani, chairman and chief executive, said: "We have implemented significant new cost savings measures including a salary freeze and substantial reductions in personnel, and we expect these measures to have a positive impact on our results in 1993."

For the full year, Occidental had income from continuing operations of \$126m, against \$372m in 1991.

The company posted a net loss of \$591m, or \$1.97 a share, in 1992 compared with net income of \$460.111. or \$1.52. In 1992. Occidental took net charges of \$244.111 for the adoption of new accounting standards.

The announcement failed to ruffle Wall Street, where shares in Occidental firmed 35% to \$18.72 by the close in New York.

Deal on oil seeks to
defuse trade tension

By Stephen Fidler,
Latin America Editor

BRAZIL intends to buy an
annual \$500m (\$3328.9m) of oil
from Argentina, in an attempt
to defuse tension surrounding
a growing trade surplus with
its neighbour, Brazilian offi-
cials indicated yesterday.

The officials said a "political
decision" had been made for
Petrobras, the state oil com-
pany, to buy the oil, but that
negotiations were continuing
on details of the purchase.

Brazil's trade surplus with
Argentina reached about
\$1.4bn last year, with Brazilian
exports worth just over \$3bn.
Brazilian exports have been
stimulated by the two coun-
tries' contrasted exchange rate
policies. Argentina has fixed
its exchange rate against the
dollar, which has led to a real
appreciation of its currency,
while Brazil is devaluing the
cruzeiro in line with its infla-
tion rate.

The weakness of Brazil's
economy, which showed
almost no growth last year,
has forced manufacturers to
look increasingly towards
exports.

The new political interven-
tion has been prompted by
strains that the issue is placing
on Mercosur, the southern
cone trade group in South
America. The organisation,
which also includes Paraguay
and Uruguay, has agreed to
abolish internal trade barriers
by the end of 1994.

Alarm at the growth of Bra-
zilian imports led Argentina in
October to treble to 10 per cent
a tax on nearly all imports.
The move has already led to
protests by Paraguay under
Mercosur's new disputes proce-
dure.

Brazil is willing to sign an
investment protection agree-
ment with the UK, Mr
Fernando Henrique Cardoso,
the Brazilian foreign minister,
indicated to British officials in
London yesterday.

The details of a proposed
accord, which may be the first
of its kind to be signed by Bra-
zil, are being examined by the
UK government.

US growth

accelerates

but jobs

fear remains

By Michael Prowse

In Washington

THE US economy grew at a surprisingly robust annual rate of 3.8 per cent in the final quarter of last year, the fastest pace since 1988, the Commerce Department reported yesterday.

The growth mainly reflected a surge in consumption, which grew at an annual rate of 4.3 per cent relative to the previous quarter.

The economy grew by 2.1 per cent in 1992 as a whole, a sharp rebound after a decline of 1.2 per cent in 1991.

However, senior advisers to President Bill Clinton believe the figures overstate the economy's underlying growth rate and are continuing to urge a modest economic stimulus worth \$151m-\$20bn this year to ensure that growth does not falter again, as it did in both 1991 and 1992.

After meeting yesterday with Mr Alvin Greenspan, the Federal Reserve chairman, Mr Clinton welcomed the figures. However, he noted that there was also "a lot of troubling news about jobs" with a reference to a wave of recent job cuts at leading US companies including International Business Machines, Sears Roebuck and Boeing. "We've got a lot of work to do," he said.

The expansion in the fourth quarter followed growth at an annual rate of 3.4 per cent in the third quarter. It was the seventh successive quarter of growth following a brief contraction in the winter of 1990-91.

Testifying before the Senate budget committee, Mr Greenspan said economic growth rates in the next six months were likely to be "somewhat lower" than in the fourth quarter.

He also signalled support for Mr Clinton's target of a \$145bn cut in the budget deficit within four years. "I don't find that number to be off base," he said.

Economists said the breakdown of growth was particularly encouraging. It did not reflect temporary factors such as a rebuilding of inventories by companies. The growth of consumer spending reflected a bigger than expected rise in disposable incomes rather than a further reduction in the personal savings rate, which sta-

bilised at about 4.5 per cent.
investment spending was also
stronger than expected. (torpe-
mte equipment investment grew
at an annual rate of 11.7 per cent
relative to the previous quarter
while residential investment
surged by 29 per cent, reflecting a
recovery in the housing market.
Inflation remained subdued,
with a breed index rising at an
annual rate of 2.8 per cent.
Mr David Wyss, ehief econo-
mist at DitI/McGruw-llill, the
forecastng group, S(lidi "We ezui't
keep up growth :it 11.8 per cent.
But decent growth of smuething
like 3 per cent is likely this quar-
ter." Others were less nptirnistie.
Mr Hill (irieus, :l Wall Street
hem! market :mnlyst, said growth
might he as low :13 :7. per (tent at
:in annual rate in the current
quarter, rei'leetinn everspending
by consumers for Christmas.
Seeptieism :lheut growth pros-
peets reflects the :ihnernmllly
slow pzu'e of job creation. Unem-
ployment mse lust year in spite
of the growth of eutpnt.

FINANCIAL TIMES FRIDAY JANUARY 29 1993

Clinton administration may look at the fairness of its own trade laws
' US not planning a

steel war yet

By Nancy Dunne In Washington

A SHORT statement by Mr Ron Brown, the new US commerce secretary, was easily lost amid the cries of outrage which greeted Wednesday's steel dumping decisions.

These determinations follow mandated procedures and other results of exhaustive investigations; as such they are not policy statements, he said. After one week on the job, the Clinton administration has found itself "on a train which had already left the station" as far as steel is concerned, said one Washington analyst. The Commerce Department and US trade representative still lack the deputies, under secretaries and assistant secretaries whose influence will be vital in designing and implementing trade policies. US officials have been at pains to emphasise that Wednesday's decision was preliminary. The Commerce Department will make its final determinations between April 12 and mid-June. The International Trade Commission will then have 45 days to decide if the imports have caused injury to the US industry.

Where President Bill Clinton has had to be specific - on supporting the North American free trade agreement - he displayed a willingness to take on domestic interests, and the labour unions, for the sake of a forward-leaning policy. It will not be conducive to good relations in North America if the final decision is to impose dumping duties of 49-76 per cent on Mexican steel and up to 68.7 per cent on Canadian steel.

The Canadian government has reacted to the steel cases in a way bound to grab the attention of the new administration. Three weeks ago it found American steel companies guilty of dumping steel plate. Today it is expected to find the US guilty of dumping hot rolled steel.

Mr Frederik Pelmer, chairman of Stelco, the largest Canadian-based steel producer, drove the point home at a press conference in Washington on Wednesday. "This kind of tit-for-tat action is ridiculous," he said. "It diverts our attention. Our time and our money from dealing with the real structural challenges facing the steel industry in North America."

Canada's swift and strong response illustrates the danger foreseen by many US trade experts. The use of "unfair" trade laws is spreading and providing a tool for protection-minded industries the world over.

With the US industry in jeopardy, the administration may take a closer look

at the fairness of its own trade laws. They give the Commerce Department considerable discretion in how it determines dumping and subsidies. There is a growing body of literature finding those formulas skewed towards the domestic industry. Critics complain that the US dumping law punishes foreigners for pricing behaviour that is no different from that of US companies. or that does not really distort trade patterns.

Another common criticism was voiced on Wednesday by the American Institute for International Steel, which represents importers. The dumping margins were overstated because they are based on distorted exchange rates. The Clinton administration may agree to negotiate another round of "unvoluntary quotas". Or it may move to reform its trade laws. The much-abused "policy wonks" now in power have to be given time to study their options.

FINANCIAL TIMES FRIDAY JANUARY 29 1993

Geneva talks threatened by further fighting in Krajina
UN may

be asked to
intervene
in Bosnia

By Robert Mauhner, Diplomatic
Editor, in Geneva

BOSNIA peace mediators Mr

Cyrus Vance and Lord Owen may
soon decide to ask the United
Nations Security Council to
impose a settlement on the three
warring factions.

After six days of intensive talks
in Geneva on the proposed map
dividing Bosnia into 10 semi-au-
tonomous provinces, very little
progress had been made, accord-
ing to the conference spokesman,
Mr Fred Eckhard.

It is also clear that the serious
outbreak of fighting between
Croats and Serbs in Krajina, the
Serb-occupied region of Croatia,
has broken the momentum of the
conference on Bosnia and weak-
ened the political will of all three
warring parties - Serbs, Mos-
lems and Croats - to reach an
agreement.

One of the options before the
(Security) Council would be
whether it would consider enforc-
ing a peace proposal that Vance
and Owen think is fair, even if
one or two of the parties had not
signed on to it," Mr Eckhard said.

It remains unclear what mea-
sures the Security Council would
take to enforce the peace plan,
given the deep reluctance of most
of its members to resort to mili-
tary intervention.

There was no firm indication
yesterday as to whether the inter-
national mediators had set them-
selves a deadline for reaching an
agreement.

The general assumption
appears to be that they are pre-
pared to spin out this round of
negotiations at least until the
weekend. But if no progress has
been registered by then, the deci-
sion to turn to the Security Coun-
cil could come very quickly.

In London, Mr Douglas Hurd,
Britain's foreign secretary, ruled
out any international military
intervention in Bosnia. He
emphasised again that British
troops would not become directly
involved in the conflict, but

French sailors leave Toulon aboard the aircraft carrier Clemenceau
restrict themselves to a humani-
tarian role.

Testifying before the parlia-
mentary foreign affairs commit-
tee, Mr Hurd said: "We don't
believe it is possible to impose a

peaceful solution in Bosnia by means of a military protectorate."

A proposal to tighten sanctions against Serbia by closing its borders to all trade would be discussed by European Community foreign ministers next Monday, he said.

Referring to the renewal of Serbo-Croat hostilities in Krajina, Mr Hurd said this development made it essential that the mandate for the UN Protection Force (Unprofor) in Croatia be extended after it expires at the end of February. "There is a real danger in the absence of a mandate of a renewal of war between Serbia and Croatia."

Croatian forces captured a strategic dam yesterday but said retreating Serb troops had set off three demolition mines at key points, threatening the structure with collapse. A statement issued by the town of Sinj said an emergency evacuation of more than 20,000 people living in 20 communities in the valley below the dam would have to be considered. i

S Africa inflation at 15-year low

SOUTH AFRICA's inflation

rate has dropped into single figures for the first time in nearly 15 years, reviving hopes of a turnaround in the economy, writes Philip Gawith in Johannesburg.

Figures released by the Central Statistical Service (CSS) show that the rate of inflation, measured by the consumer price index, declined to 9.6 per cent in December from 11 per cent in November. This is the lowest rate of inflation since June 1978. The CPI declined by five percentage points in the second half of 1992, having stood at 16.2 at the end of 1991. Economists have long been predicting a further drop in interest rates, and the most recent inflation figures have bolstered their case.

Dr Chris Stals, governor of the Reserve Bank, said yesterday that the bank was re-examining its monetary policy - often a signal for a cut in rates. The prime lending rate currently stands at 17.25 per cent.

Mr Dave Mohr, chief economist at the Old Mutual group, said the decline in the inflation rate, which was sharper than predicted, was partly a function of large increases in the CPI in the second half of 1991, and partly the result of very small increases in the corresponding period in 1992. He cited lower meat and vegetable prices, and falling mortgage rates as important contributory factors.

Other factors include a fairly strong exchange rate, and firm monetary policy with real interest rates now running at about 7.5 per cent.

Mr Mohr said inflation, which is a lagging indicator, reflected the weak state of the economy for most of 1992. '

EC tries to step back
from confrontation
By Our Foreign Staff
THE European Community
yesterday stepped back from
confrontation with the Clinton
administration over the US
Commerce Department's deci-
sion on Wednesday to impose
stiff anti-dumping penalties on
carbon steel producers from 19
countries.

In remarks which tempered
earlier condemnation of the
decision to impose preliminary
duties, the EC made clear that
it did not wish to paint the
new administration in Wash-
ington as protectionist.

"We do not believe there has
been an ideological change,"
said a spokesman for Sir Leon-
Brittan, EC trade commis-
sioner. He guardedly welcomed
a statement from Mr Ron
Brown, US commerce secre-
tary, that the anti-dumping
decision was based on man-
dated legal procedures, and
was not a new policy state-
ment from the Clinton admin-
istration.

The Commission effort to
calm the firestorm of criticism
appeared aimed at leaving Sir
Leon plenty of room for man-
oeuvre when he meets Mr
Mickey Kantor, his US counter-
part, in Washington on Febru-
ary 11. It may also have been
aimed at averting unnecessary
public attacks which could
jeopardise already-fragile pros-
pects for an agreement in the
Gatt global trade talks.

However, Eurofer, the Euro-
pean confederation of iron and
steel industry, condemned the
duties as "extremely serious"
for the future of international
trade, as well as being unjust,
unacceptable and arbitrary.

In Paris, an angry govern-
ment threatened to push for 21
EC complaint to the General
Agreement on Tariffs and
Trade against the US duties.
The move would block all
French and German steel
exports to the US, claimed Mr
Francis Mer, chairman of Usi-
nor Sacilor, the French state-
owned steel group which is the
world's second largest pros-
ducer.

That represented a loss of
\$2bn (5:1.3bn) annual exports
for European steel makers,
including FFrl.5bn (9.1823111) of
sales from Sollac, Usinor Saci-

lor's flat products division. If confirmed, the duties would also force Usinor Sacilor to shed more jobs, on top of the 7,000 people who left the group last year. '

In Germany, Mr Rupert Vondran, head of the German Steel Federation, denounced the US decision as blatantly protectionist and called on the German government and the EC to confront it with firm action. He said the US measures would affect 600,000 tonnes of German steel exports worth just under DM500m (\$205.7m). A further 6m tonnes of products from other steel producers barred from the US would increase pressure on European markets and exacerbate the problems which have thrown the European steel industry into recession, he said.

He said German steel companies had already curbed their deliveries to the US last year. They remained 40 per cent below quotas allocated to them by the US administration.

The US was trying to settle domestic problems at the expense of foreign trade partners". He said price leaders on the US markets were not foreign steel importers but the local mini-mills, which enjoyed favourable costs and had lifted market share from 14 to 24 per cent in the last few years.

In London, the department of Trade and Industry described the US measures as "protectionist" and "an outrageous harassment".

Mr Michael Heseltine, trade and industry secretary, had written to Mr Brown saying the move was unjustified and disproportionate.

Privately, senior EC officials were seething yesterday at the US decision, which comes as European steel producers are suffering from falling prices and cheap imports from eastern Europe.

They expressed most irritation at the way EC producers had been penalised during a period including the 10 years to March 1992, when a "voluntary" restraint agreement for steel between the US, the EC and other leading steel exporters was in force.

By Lionel Barber in Brussels, William Dauterive in Paris, Ariane Gemillard in Bonn and David Glen in London

FINANCIAL 'ILLUVIES FRIDAY JANUARY 29 1993

Fridjy January 29 1993

Mr Clintonis

trade agenda

THE announcement of provisional US anti-dumping duties on the steel exports of 19 countries was bound to cause a reaction. What must be avoided however is either an overreaction or the wrong reaction. The priority is to encourage the new US administration in the right overall trade policy direction, with completion of the Uruguay Round the immediate task. This does not mean all is well with anti-dumping. Even Laura DiAndrea Tyson, the new chairman of the Council of Economic Advisers and self-proclaimed "cautious activist", admits that "as currently written and applied, both national and multilateral anti-dumping laws err in the direction of deterring competitive behaviour that is not unfair or predatory". To put the point more bluntly, the antidumping bureaucracy is like the sorcerer's apprentice. The US Commerce Department routinely finds 97 per cent of all foreign companies it investigates guilty of dumping. How do the other 3 per cent escape? There is no reason therefore to doubt the statement by Mr Ron Brown, the new commerce secretary, that these findings, however untimely, are not policy statements but "mandated procedures and the result of exhaustive investigations? It is the fundamental criteria which are wrong. But as an equally enthusiastic user of the anti-dumping remedy, not least for steel, the European Community is in no position to throw the first stone.

The sensible reaction would be a shrug of the shoulders. The desirable reaction would be to seek US co-operation in attempts to modify the Gatt code, with the aim of making the underlying economic criteria, which bias the procedure in favour of findings of dumping, less economically irrational. There is, alas, little chance of that.

Wrong reaction

The wrong reaction, though the most probable, would be for the EC to seek US agreement to a voluntary export restraint on steel, to replace the one terminated by the Bush administration last year. The world does not need further cartelisation of its steel industry. Still less does it need a precedent on which the US automobile industry will pounce. The EC should instead recognise the

absurdity of the global anti-dump. ing conspiracy, as demonstrated in the ludicrous provisional duty of 109.22 per cent imposed on the export of 35,000 tonnes of steel plate by British Steel, and then move on.

It should focus instead on encouraging the Clinton administration to develop a sensible trade strategy. The ill-assorted Clinton administration does not know what it wants on trade. Many in Congress and industry do. They want to bash "unfair" foreigners and "protect" supposedly endangered American jobs. The multilateral alternative needs to be made credible. Under current law, however, the US administration needs to notify Congress by March 2 that it intends to proceed towards a deal on the Uruguay Round of multilateral negotiations. This now seems unlikely.

Two alternatives

The administration has two realistic alternatives: to seek a relatively short but unencumbered extension of its "fasttrack" negotiating authority, with a view to early completion of the round on the basis of what has already been agreed; or to obtain a longer extension, with the aim of reopening large parts of it.

Both procedures would be risky. But the second looks like euthanasia for the round. To reopen discussion of such issues as agriculture, intellectual property, anti-dumping, subsidies, standards and the creation of a multilateral trading organisation. when negotiators have not yet agreed on market access, would almost amount to restarting the round. It would call into question both the good faith of the US as a negotiating partner and the credibility of multilateral trade negotiations. This is what Sir Leon Brittan, the new EC external trade commissioner, should be telling his American interlocutors. For perhaps the first time in the postwar era, the US administration does not believe instinctively in the importance of the multilateral trading system. But Sir Leon does. Leadership now rests with him and with the EC. The Clinton administration needs to be cajoled towards expeditious compromises on the outstanding issues in the Uruguay Round. All else is secondary.

Israeli matchmaker sees
1 Kazakhstan as next frontier
OL1'111CAL. instability,
backward infrastructure,
extreme remoteness and
lack of hard cash are just some
of the reasons for not doing
business in the central Asian
republics of the former Soviet
Union. But to Mr Shoul Eisen-
berg, Israelis - and one of the
world's e most secretive busi-
nessmen, it is exactly the kind
of place he likes to operate.
Late last year the govern-
ment of Kazakhstan signed a
\$160m (\$105.2m) deal with the
Eisenberg group in Tel Aviv to
make and install advanced irri-
gation equipment in the south
of the republic. It was one of a
string of projects in which
Eisenberg companies are
involved in Kazakhstan and
the other Moslem republics,
spanning everything from agriu
culture and food production, to
oil refining and telecommuni-
cations.

From Kazakhstan alone the
group holds letters of intent for
contracts worth \$2bn.
Such deep commitment in
such an uncertain corner of
the world looks like commer-
cial recklessness, or at least
supreme optimism. Mr Eisene
berg thinks otherwise. For him
central Asia is the new and
logical next frontier in a busi-
ness career which began in
Japan in the 1940s and moved
through the Far East to China
-- where for the past decade he
has been a ubiquitous, if barely
visible, western commercial
operator.

In a rare interview in his Tel
Aviv headquarters, Mr Eisexr
berg said that what he is doing
in central Asia follows a pat-
tern. "It was the same when
we started in Japan; who
trusted the Japanese then?
When we started in lSouthl
Korea, its total assets were
\$50111. These are now miracle
countries. in China, the Philip-
pines, Taiwan - these were all
difficult countries to operate
in. But I believe when you help
them in those times and later
they become healthy, then you
have friends who will help
you."

mereially, he is the most pow-
erful man in China. ult is non-
sense. They made a mystery
out of me because I don't talk
to them."

But he reacts sharply to the accusation that he has prospered simply by inserting himself as a middleman in international (leahna)king. "That is not true. I am not a commission agent. We (to the business which people cannot do themselves. We create businesses and we invest ourselves. If any-

Hugh Carnegie On the beliefs that drive Shoul Eisenberg

Mr Eisenberg's role in all these places has been in essence as a

between governments anxious to develop their industrial infrastructure and western companies with the technology and ability to help them do it. His principal company, United Development Inc, has since 1978 arranged a string of deals in China, from energy plants to a \$150m float glass plant in Shanghai involving Britain's Pilkington Glass. UDI now has 12 offices in China and has reaped the benefits of China's recent rapid economic growth. It has been estimated that Mr Eisenberg, 71, has amassed a personal fortune approaching \$1.5bn. An impish man, he chuckles at this and declares: "I don't know. Really, I don't know." He also laughs at suggestions in the press that, mm-matchmakerv

one says I am Mr Five Per Cent it is a complete lie."

He holds up his venture into the central Asian republics as an example. in his search for financing - "our biggest headache" 7 he has turned to European sovereign aid programmes and the Ellltl), which require that Eisenberg companies also back projects with their own money. Then there is payment. "We don't get paid in money, we get paid in goods," Mr Eisenberg says.

In two agreements to upgrade Kazakhstan's oil refining, Mr Eisenberg will seek a return from the added efficiency. "Their yield of refined products from crude oil is about 62 to 65 per cent. We can bring it up to 95 per cent. We will get paid from the difference. That is our philosophy. You put in the money first and get it back later. it's not so quick."

Mr Eisenberg also carries a torch for Israel. Although he is an Austrian passport-holder, he has been an Israeli citizen

since 1950. The Israeli government then enacted a law - known as the Lilienberg law granting tax exemptions for his overseas operations, to entice him to base the group's activities in Israel. He has since added to his private empire the Israel Corporation, a public holding company whose offshoots employ 8,000 people in Israel and turn over \$2.5bn a year.

He has built up a symbiotic relationship with successive Israeli governments, to the irritation of many other Israeli businessmen who feel he receives too many favours from the state. Most of the latest Kazakhstan deal, for example, will be guaranteed by the government. Senior officials such as Mr Moshe Arens, the former foreign minister, and Mr David Kimehe, former director general of the Foreign Ministry, have over the years joined his companies.

He says one of the reasons he has almost obsessively avoided personal publicity is the sensitivity of working as an Israeli with regimes such as China which have close ties with the Arab world. But throughout the 1980s, until Israel and China established diplomatic relations early this year, Mr Eisenberg was a coir (link through which discreet relations were conducted).

During that time Israel is reported to have sold significant quantities of arms to China, sometimes eliciting statements of concern from the US.

According to Mr Eisenberg:

"If we are asked by the Israeli government to help them, then sometimes we will help them. But I am not a military trader. Only if the government asks for assistance we might make some introductions. But we have never sold one scrap of military equipment."

In central Asia Mr Eisenberg is again acting as a kind of Russian state oil company in clear

Mr Mikhail Gurtovoi, head of the Russian government's anti-corruption commission, yesterday apologised to Nizhnevartovskneftegas, one of the biggest state-owned all companies in the country, for having accused it of putting aside 1.5m tonnes of oil for illicit sales, writes Leyla Boulton in Moscow.

He said that the accusation was made to his commission by a group of academics who had visited the region, but that a subsequent investigation had failed to prove the enterprise was guilty of any wrong-doing.

Mr Gurtovoi said yesterday that the commission had been disbanded by President Boris Yeltsin, in a decree which would not be published. He said he did not know why this had happened.

The accusation was reported in the Financial Times last August.

m

grand commercial ambassador for Israel, which is anxious to cement relations with Moslem countries on the northern fringe of the Middle East. "You cannot be friends and be enemies at the same time," he says.

He admits he cannot be certain whether those links will prove as successful as his previous ventures. In October he had to pull out of Tajikistan because of the civil war erupting there. "We lost a few million dollars," he says, almost casually, adding: "I am sure one day we will go back."

FINANCIAL '1111V11'1S THURSDAY JANUARY 28 1993

The oilman's land of opportunity

Existing exploration contracts cover only 17 per cent of Peru's

70m hectares of potential oil-bearing territory, writes Sally Bowen

PERU REMAINS "the

great unexplored in the

oil business," says Mr

Roger Alderson, general man-

ager in Peru for Simon Petro-

leum Technology. "Not one

questions the technical possi-

bilities of major finds here."

The country has more than

70m hectares of potentially

oil-bearing territory but only

17 per cent of that is covered

by existing exploration

contracts.

Since 1983, investment in oil

exploration in Peru has been in

an almost continuous decline.

Last year companies under

contract with state-owned

Petroperu invested a mere

\$43m in exploration, a tenth of

the amount invested ten years

earlier. Proven oil reserves

have slumped to about 350m

barrels, half of their 1982 level,

and Petroperu estimates explo-

ration investment should be at

least \$115m a year.

But the situation, it is hoped,

is about to change. The contro-

versial return to democracy in

Peru via congressional elec-

tions on 22 November could

now pave the way for a long-

awaited spurt of foreign

investment.

"The April 5 coup didn't

scare investors away," says Mr

Alderson, "but it did slow

things down. If Peru's democ-

racy is now accepted as valid,

we're away and flying. Peru

has ten times the opportunities

of Argentina, for example, and,

historically it's no less stable

or any worse a risk than either

Argentina, Colombia or

Bolivia."

For the past two years, SPT

(formerly Robertson Research)

has been working with Petro-

peru to boost foreign interest

in Peruvian oil. Twice yearly

promotional tours have tar-

geted oil operators, largely in

the US, who are seeking fresh

fields for expansion.

_____ - _____ - - - - -

A big factor in Peru's favour

is recent legislation governing

foreign investment in general

and oil exploration in particu-

lar. "The current law works,"

says Mr Jaime Quijandria,

president of Petroperu. "We

can prove we offer better con-

ditions than Colombia, Argen-

tina or Ecuador - and investors are coming."

One hiccup has been the delay in gaining final approval for contracts. But under new, streamlined procedures Petroperu has been able to reach speedy agreement with three US oil companies over exploration and development, but Peru's council of ministers has inexplicably been dragging its feet.

One of these contracts is with Great Western Resources for exploration in the Peruvian jungle; another with Olympic of Denver, Colorado, in association with a Peruvian firm Petrolera San Juan for drilling in the northern coastal area of Plum; and the third, an exploration and production contract, with Texas-based Clayton Williams.

The proposed joint venture with Clayton Williams, the ebullient Texan operator who once ran for governor of his home state, is Petroperu's first and the first for an area already producing. Clayton Williams has an 80 per cent share and will bear the full \$10m initial cost of drilling five wells. Petroperu's contribution will come in down the line when a further 40 wells are planned. . '

Mr Quijandria is convinced that Peru must, as Colombia did, get its oil industry off the ground with a series of similar smallish contracts. "The larger companies aren't risk-takers," he says. "They prefer the smaller fry to come in and do the donkey work - then they'll move in later. .

There are only two big names operating locally at present, Mobil and Occidental Petroleum # and both have been in Peru for years. Occidental has increased its output by 20 per cent in the past few months since settlement of a long-running dispute with the previous Peruvian government. Mobil's hopes of striking it big in Peru's unexplored central jungle, meanwhile, have been dashed. The company boldly entered the central llullallaga, centre of the Peruvian illegal cocaine trade, two years ago. The camp was attacked by Sendero Luminoso (Shining Path) guerrillas in December 1990 and had to be almost completely rebuilt.

Terrorism is not the reason for the pull-out, however. After investing about \$32m in necessary infrastructure, the first well drilled was dry. "At least we've learned there's no oil there at 9,000 ft down," says a philosophical Mr Quijandria. "But remember the llullallaga basin has never been drilled before. ., it would have been utopian to find oil first go."

Petroperu's promotional efforts focus on two Peruvian basins. the Ucayali and the Marañon. Both have basic transport infrastructure in place and are close to Peru's northern pipeline. Initial surveys show the jungle zone of Madre de Dios is also promising, but transport is more of a problem.

The hurdle is getting the first investors interested. Petroperu is having to go it alone with development of the rich Chambira deposits, where oil was struck three years ago. Now that \$30m in financing has been agreed with the Andean Development Corporation (CAF), Chambira should be producing 7,500 barrels a day within 12 months.

"This is a totally no-risk enterprise," says Mr Quijandria. "Yet we offered it for a year to the private sector and none was interested."

While the complex process of privatising Petroperu is taking time, senior company managers, perhaps surprisingly in a massive state-owned enterprise, are full of initiatives. In recent weeks, Petroperu has reached a "maquila" (lease on idle capacity) agreement with trader Marc Rich to utilise 20,000 b/d of idle capacity at its La Pampilla refinery.

Marc Rich will bring in \$1e of crude every 45 days for refining. The refined products will be left for Petroperu to market locally, and the residual crude will be re-exported. Later, when domestic Peruvian prices are more internationally competitive, it is expected that Marc Rich will market in Peru under its own brand-name.

Camisea. the vast gas and condensates field discovered by Royal Dutch Shell in the Peruvian jungle in the mid-1980s, remains the most exciting prospect. Shell is dragging its feet - but Peru's current, dra-

matic electricity shortage is injecting fresh urgency into the search for a solution. State-owned Electroperu is now contemplating construction of several gas-fired thermal plants near Camisea. Electricity could be shipped over the Andes by cable instead of building a gas pipeline.

"Its a financing problem now," says Mr Quijandria. "I'm suggesting the government appoint an agent to get a consortium together for the \$1.4bn needed to develop Camisea. Then we have to put pressure on Shell to say whether they'll agree to head it."

11

Uzbekistan's president tightens his grip on the opposition writes Steve LeVine
1TH the political trial of Mr Abdoumanob Pulatov that resumed in the Supreme Court today, Uzbekistan President Islam Karimov is tightening a crackdown that has effectively silenced political debate in the former Soviet republic.

The trial is expected to conclude today.

Last Tuesday a member of Birlilik's ruling presidium, Mr Alim Karimov, who is not related to the president, was spirited away by unidentified men and has not been heard from since. .

ttThe living standard is so
888. mov; baa: Uncy ave zihtziiii fit
a social explosion. That's why
they want to eliminate all
organised opposition," said Mr
Shukhrat Ismatulayev, Birlikis
co-chairman.

But the tight grip maintained in Uzbekistan and throughout former Soviet Central Asia probably has more to do with inherent conservatism than with fears of a social explosion.

atmosphere of the former USSR. Kazakhstan, Turkmenistan and Kyrgyzstan maintain different shades of political and economic rigidity, with a new, hardline government having recently taken power in Tajikistan.

But resource-rich Uzbekistan is the least changed from the Soviet period. President Karimov tries to keep matters under his sole control, through a combination of political repression and, despite public statements to the contrary, an almost obstructionist approach to foreign investors.

Foreign businessmen grouse constantly about the problems of obtaining decisions.

Mr Karimov insists on oversight of the tiniest details, which sometimes include even the design of luncheon invitations.

They also say that investment policy, though seeming liberal as written into law, is still vague. But it is Mr Karimov's political crackdown that has recently attracted the greatest attention recently.

In its yearly human rights report, 'iss'aec'i llast meek, 3:3' US State Department said Uzbekistan was irresponsible for significant human rights abuses".

ttThe regime is heavy-handed control of the political process. ..was a major impediment to further progress and left in doubt its commitment to democratisation, the State Department said.

IRAN

The report also said, "despite government denials, the frequency of assault on opposition political figures, with the assailants never being apprehended, suggested government involvement".

Mr Pulatov, Birlik's human rights committee leader, was abducted by the Uzbekistan KGB at a human rights convention in neighbouring Kyrgyzstan last month.

The government accuses Mr Pulatov of defaming President Karimov during a demonstration at Tashkent State University last January in which three students were killed.

.zumuntling'tottlne .govemnmute case, Mr Pulatov gave a student a placard containing Mr Karimov's photograph and told

him to carry it in the demonstrations. Underneath the photograph was the caption: "Here is a beast that devours its own children."

KAZAKHSTAN

KYRGYZSTAN _

M' Tnshkent

, .o Miles 250

1:0 Km 490

But in the first three days of testimony last week, the three government witnesses e all of them students - offered contradictory accounts.

One student testified that he had no idea whose placard it was.

A second said Mr Pulatov was part of a large group of students, all of whom handled the placard. Only the third, Mr Jalol Gadayev, testified that he saw Mr Pulatov himself produce the placard for the student to carry.

South Africa

Dirty tracks

FROM OUR SOUTH AFRICA CORRESPONDENT

P ERHAPS by the end of the year, and certainly by April 1994, South Africa will hold its first non-racial election. To prepare the ground, President F.W. de Klerk's government this week began six days of secret bilateral talks with the African National Congress (ANC); it also held a two-day session with the Inkatha Freedom Party. Full constitutional talks are supposed to begin again in March. The chances of success rest as much on whether Mr de Klerk can earn his opponents trust as on the substance of the discussions. Fresh disclosures this week in a South African newspaper look like having the opposite effect.

On January 19th the Star, the country's leading daily, named two men who were, it said, among the hitherto unidentified civilian collaborators it said to have been involved in covert military operations to destabilise the ANC. Both were among the 23 soldiers and civilians dismissed or suspended from their posts by Mr de Klerk last month, in accordance with the findings of Mr Justice Goldstone's standing commission on political violence.

The two men were members of the Civil Co-operation Bureau (CCB), a covert unit operating within the South African Defence Force. Mr de Klerk was supposed to have banned it in 1990. In the same year the two men were wanted by the Namibian authorities in connection with the murder of an anti-apartheid activist, Anton Lubowski. South Africa refused to extradite them. This much was already known.

The Star now claims that the two men later joined another secret organisation, the Directorate of Covert Collections (DCC), whose existence was confirmed last November by the Goldstone commission. The papers report, if true—and it has not been denied—implies that the CCB was not so much dissolved as reconstituted, which is not what Mr de Klerk said at the time.

Mr de Klerk is often accused of not acting fast enough to clean up the armed forces. New questions now arise about the December dismissals. The minister of defence, Gene Louw, has named nine of the sacked officers, two of whom were generals. Three of the officers were suspended pending inquiries about their possible involvement in illegal activities. The defence minister insists that the other six officers who were "uncompulsorily retired" were "not linked to 'criminal or illegal activities'". Why, then, were they retired?

The latest revelations, if such they be, coincide with the inquest into the murder of another anti-apartheid activist, David Webster, in May 1989. In hearings that were reopened on January 18th, witnesses have implicated the CCB and one of its former agents, Ferdi Barnard. Mr Barnard, according to Mr Justice Goldstone, was employed by the DCC to help discredit the ANC; his plan was to employ prostitutes, criminals

and drug addicts to entrap his targets. Adding to the drama. ex-CCB officials have threatened to implicate ministers if they themselves are made scape-goats for Mr Webster's murder. All this is tough on Mr de Klerk. By June he hopes to have set up a transitional executive authority, including black people, to act as a government of national unity and lead the country into elections for a constituent assembly. The polls show that the president's popularity among whites is on the slide. South Africa has now been in recession for three years. Official unemployment is mounting. A runaway budget deficit of about 28 billion rand (\$9 billion, or 8% of GDP), is forcing the government to squeeze its spending at the worst possible moment. This week Mr de Klerk announced that the bureaucracy will be cut, while civil-service pay rises are limited to 5% less than half the rate of inflation. He also hinted at tax increases. That is no way to win white friends, or votes.

All-powerful warrior

PRESIDENT is accused by his own parliament of high treason, the most heinous crime in the land. Almost anywhere else, the president might have had to go. But this is Zaire. And the president is Mobutu Sese Seko Kuku Ngbendu wa za Banga, whose name officially translates as: "The all-powerful warrior who, because of his endurance and inflexible will to win, will go from conquest to conquest, surviving comfortably, it seems, leaving fire in his wake."

The charge was made on January 15th by the High Council of the Republic, a transitional parliament set up last month to move Zaire towards democracy. It found Mr Mobutu guilty of having blocked the functioning of the country's institutions at every level". The president's transgressions include sending troops to stop the reformist prime minister, Etienne Tshisekedi, making his own man head of the central bank, and threatening to sack Mr Tshisekedi for not picking a cabinet to his liking. The council has given Mr Mobutu until January 23rd to submit his defence before the case goes to the Supreme Court.

A conclusive outcome is unlikely. Mr Mobutu, who likes to be known inside the country as the Supreme Guide, the Father of the Nation or even the Messiah, is a survivor. He has ruled Zaire by a potent mix of force, fraud and cult worship since 1965. Politicians are shuffled between prison and the cabinet.

He treats the treasury, according to his own ministers, as a personal bank account. He has built himself no fewer than 11 palaces.

Some of the mystique that has shored up Mr Mobutu for nearly 30 years is fading. Mr Tshisekedi and his reformist colleagues appear to have wide popular support. Their call on January 15th for residents of Kinshasa to stay at home for the day and create a "dead city" left the streets of the capital more or less deserted. Sporadic violence takes place in provincial cities, as does looting by unpaid soldiers. An official in the president's party was murdered this week; Mr Mobutu says that militants from the prime minister's side were responsible.

But Zaireans are wary of taking part in mass protests. Troops opened fire on anti-Mobutu demonstrators on January 18th, leaving up to 11 dead. The president is in tight control of the armed forces, particularly the elite presidential guard, and has no qualms about sending in his tanks.

The personal rivalry between president and prime minister has reached an impasse. The country's 37m people are wretchedly poor, and inflation runs at 7,000%. Belgium (the ex-colonial power),

France and America have cut off aid but are now discussing ways of lending support to Mr Tshisekedi's government. The risk, as ever, is that any new loans to the prime minister will simply end up in Mr Mobutu's pocket.

THE ECONOMIST JANUARY 23RD 1993

Somalia 1

Who's who

FROM A SPECIAL CORRESPONDENT IN MOGADISHU
N THEORY Somalials warlords have declared for peace. The United Nations collected the leaders of 14 factions in Addis Ababa for a meeting that quivered for days on the brink of collapse but ended, on January 15th, with an agreement to hold a national reconciliation conference on March 15th, to hand heavy weapons to ceasefire monitors and to segregate the various militias in special camps. Nice, but to be seen to be believed.

The snags are obvious. One is that many of the gunmen who once worked for local warlords, and may again, have turned freelance bandits since the arrival of the American marines. The faction leaders, even if they had the best will in the world (which they have not), are better at inspiring violence than at restraining it. Half a dozen of these leaders, most of whom are military men who captured, and now run, their territory by force, matter more than the others:

0 The best known, and most obstreperous, warlord is Muhammad Farrah Aideed, who runs one part of the United Somali Congress. A member of the Hawiye clan, he controls south Mogadishu and claims control over most of southern Somalia. He boasts the reputation of folk hero since it was his forces that in late 1990 invaded Somalia from Ethiopia to drive the dictator, Muhammad Siad Barre, out of power.

- General Aideed arrived in Mogadishu to find that Ali Mahdi Muhammad, an ex-hotelier who belongs to a different subclan of the Hawiye clan and who represents another part of the United Somali Congress, had installed himself as the country's interim president? Mr Ali Mahdi controls the northern bit of Mogadishu and a narrow corridor running north from the capital.
0 Still supporting Mr Siad Barre is his son-in-law, former defence minister and fellow-member of the Darod clan, Muhammad Said Hersi Morgan. He runs the Somali National Front and controls Bardera, a city in the centre of the famine area that he seized from General Aideed. General Morgan did not go to the Addis meeting - his presence was thought too inflammatory: but was represented by General Omar Hassan Muhammad Hersi.

- Colonel Omar Jess, another member of the Darod clan, runs the Somali Patriotic Movement and is in control of Kismayu, a port in the south. Colonel Jess has fought just about everybody in turn - but is now an ally of General Aideed. He is suspected of ordering the massacre last month of more than 100 men from a rival subclan.

- That rival subclan is led by General Muhammad Abshir Musa, who controls a large area of north-eastern Somalia. His Somali Salvation Democratic Front was first to oppose Mr Siad Barre and is among the more self-restrained of the fighting factions.

THE ECONOMIST JANUARY 25 1993

A seven-man committee is to work out

the agenda and guestlist for the conference in March. It has already been agreed to invite the Somali National Movement from Somaliland. 'It's part of the territory, which used to be British Somaliland, has tentatively seceded from the rest and its future, as independent or not, has to be decided. The other invitations are harder. (General Aideed argues that the conference is:

Aideed's misdeeds should be limited to the actions that helped to throw out Mr Siad Barre. Most of his fellow leaders believe that it should be more broadly based, perhaps including local clan elders, women's groups and leading intellectuals. Clan elders were notable for their absence from Addis Ababa. Yet their participation will be crucial if reconstruction is to take place. 'Their usefulness has already been shown in Baidoa, one of the cities hardest hit by the conflict. After the marines arrived, the forbidding local militia was neutralised and elders took control, organising a form of local government. The marines in Baidoa are now being replaced by Australians and sent home. The dates are uncertain but a transition from American command to UN command is expected within the next few weeks. First there will have to be a Security Council resolution to create a force of a size - there is talk of 20,000 men, including many Americans, compared with nearly 35,000 now under the American flag with adequate rules of engagement. One of the first tasks of the new militia, say the Americans, will be to form a national police force.

INTERNATIONAL

T 18 "almost ineonceiveable", says Bill Clinton, for the United States to have had relations with Iraq while Saddam Hussein still runs the place. Yet America's new president has reason to be grateful that Hussein, by giving in to the United Nations demands and by promising not to shoot at American military aircraft flying over parts of Iraq, has offered him at least a breathing-space. This is not unhelpful: the coalition against Iraq's dictator was crumbling to unhappy pieces.

When George Bush, in 1990, gathered together an alliance to drive Iraq out of Kuwait, his statesmanship was impeccable. In contrast that with the mixed motives that motivated Mr Bush's efforts, in his last days of office, to slap Mr Hussein into line. Although there was no great outcry, even in the Arab world, against the past weeks military strikes against Iraq, friends and enemies alike have been uneasy. Mr Hussein has few doubts and his recent actions have been condemned as provocative. But, at the same time, the way that America, with Britain and France tagging along behind, responded to the provocation is criticised as disproportionate, ineffective and even undignified.

Protesting from the world's unease, Mr Hussein has belatedly set out to show that he could be dealt with. Mr Bush's suggestion. He celebrated Mr Clinton's inauguration on January 20th by bearing the gift of unilateral ceasefire. For the past week, American, British and French aircraft have been sporadically striking anti-aircraft and radar-defence sites in the two zones of Iraq, north of the 36th parallel and south of the 32nd, that the western allies have declared off-limits for Iraqi aircraft; an Iraqi fighter was shot down in the northern zone. Now Mr Hussein says, for what his words are worth, that he will leave the surveillance aircraft in place provided that they stop attacking his defences.

He has also made his peace with the United Nations by knocking away the obstructions he had created (since the attacks in the no-fly zones) to prevent the inspectors who were monitoring the destruction of all Iraq's non-conventional weapons from reaching the country. He had already been stumbling down from this bit of bluster, which clearly defied the Security Council's instructions, by way of a ladder of unacceptable compromises. Now, at least, for the time being, he has given in and is doing what the UN demands.

Mr Clinton has tried, quite properly, to
THE ECONOMIST (JANUARY 13TH) 1993

A missile too many?
demonstrate continuity in American foreign policy, does not mean any Iraqi hope that it will be all forgotten and forgiven with him in the White House. But Iraqi, and other Arab, listeners fastened on his statement last week that a change in Mr Hussein's behaviour could open the way to an improvement in American-Iraqi relations; they were encour-

aged by the fact that Mr Clinton acknowledges that he is not, as Mr Bush came to be, "obsessed" with Saddam Hussein.

This obsession. America's critics say, persuaded Mr Bush to act against Iraq while allowing Israel and various people in Bosnia to get away with more blatant violations of the Security Council's instructions. The charge that America, with Britain and France in support, are guilty of double (or rather triple) standards is heard resoundingly, even in countries that are mustards keen to see the back of Mr Hussein. The clearest sign of erosion in the Gullivar coalition came from that most silent oil countries, Saudi Arabia: in a pregnant statement on January 18th, its cabinet demanded that all UN resolutions be implemented and not just those pertaining to Iraq.

The other generally heard criticism of the punishment of Iraq is that it was disproportionate to Mr Hussein's transgressions. This applied, above all, to the American-only attack on January 17th by Tomahawk cruise missiles on a big mechanical engineering plant in the southern outskirts of Baghdad. The Americans claimed that the factory, which was reduced to rubble, made parts for Iraq's nuclear programme. So it may have at one time but, according to UN inspectors, that time had passed. Suspect equipment had been destroyed: possible dual-use equipment was under the eye of the inspectors. The main purpose of the attack, it seems, was to carry the political and psychological message that Baghdad itself was in danger from Mr Hussein's defiance. And so, unfortunately, it was. One of the Tomahawks, apparently deflected by Iraqi anti-aircraft fire, landed in the Rashid Hotel, where foreigners, including foreign journalists, stay. In full view of the press, the missile killed a young hotel receptionist and a woman guest from an Islamic Convention. A third woman was killed by a missile landing in a residential suburb.

In all, says Iraq, more than 40 people have been killed in the week of raids. Too many, say the Russians, who raised their concern that the attacks were "out of proportion" because of the civilian casualties, at a Security Council session on January 19th. They were not alone in voicing this worry. France's foreign minister, Roland Dumas, has openly criticised the cruise-missile attack for going beyond any action authorised by the UN. Italy has said that anybody with common sense would be concerned. Britain's prime minister, John Major, is said to have urged restraint on Mr Bush, and British members of Parliament have deplored the lack of clear strategy. Most Middle Eastern countries, though not Kuwait, have been dismayed by the West's action. Kuwait is openly relieved to be protected by a task force of 1,100 American soldiers and the redeployment of Patriot anti-Scud missiles (though Iraq is not supposed to have any remaining ballistic missiles). The UN secretary-general has pro-

INTERNATIONAL
Dumas, has openly criticised the cruise-missile attack for going beyond any action authorised by the UN. Italy has said that anybody with common sense would be concerned. Britain's prime minister, John Major, is said to have urged restraint on Mr Bush, and British members of Parliament have deplored the lack of clear strategy. Most Middle Eastern countries, though not Kuwait, have been dismayed by the West's action. Kuwait is openly relieved to be protected by a task force of 1,100 American soldiers and the redeployment of Patriot anti-Scud missiles (though Iraq is not supposed to have any remaining ballistic missiles). The UN secretary-general has pro-

posed that the UN force on the Iraq-Kuwait border be expanded from 500 unarmed observers to 3,600 troops.

Responses from Iraq's other immediate neighbours have been both muted and mixed; governments have mostly kept quiet, leaving comment to their newspapers. Some Saudi newspapers have regretted only that the West's action was not more decisive in getting rid of the Iraqi regime (and the Serb government too, for good measure). But the editor of a Saudi weekly, al-Munjalla, speculates on reconciliation between Iraq and the other Gulf states, concluding that it would be no bad thing so long as Mr Hussein demonstrates his good intentions; "the Iraqi peril", he writes, "is very limited". Turkey's newspapers, like Saudi Arabia's, deplore the lack of action to protect Bosnian Muslims. The editor of Turkish Daily News goes further, urging the West to remember that "Turks have to live with the Iraqis and they cannot afford to create a wall of enmity between them." Everywhere in the region, including the Gulf states, there is unease. Mr Hussein is blamed for being provocative. Mr Bush for allowing himself to be provoked. The Arab League urged the West to show restraint: Egypt worried how the attacks would affect Iraq's ability to survive as a nation: King Hussein of Jordan expressed his deep sorrow and deeper anger. Beyond the talk of double standards, there is the underlying fear that the West's pursuit of Mr Hussein could lead the way to the dismemberment of Iraq, with the creation of a Kurdish state in the north and a Shia Muslim state in the south under Iran's umbrella. The spectre before them all is of Iran emerging as the unchallenged power in the region. Arab regimes are far more fearful of Iran's influence over dissident and fundamentalist movements within their countries than anything Mr Hussein can do to them.

Next in Bosnia

More involvement for outsiders, come what may
PINION about the war in what was Yugoslavia veers between extremes. At times the Serbs seem to be behaving as latter-day Nazis who punish people for their origins and respect only force. At other times, as now, moral clarity tends to vanish in the murk of a three-sided conflict. Serbian leaders, who encouraged war in Bosnia and who bear indirect responsibility for many of its most vicious crimes, appear to want peace, while Bosnian Croats and Muslims, who are meant to be allies against the Serbs, are in parts of Bosnia at each others' throats.

From the start of this vile war, the outside world has tried to balance the urge to intervene with an instinct to keep out. At the end of last year, pressure on the governments of Western Europe and America grew for military action against the Bosnian Serbs and even against Serbia itself. This was resisted for reasons good and bad. The bad reason was fear of losing troops; democracies must sometimes fight for their principles. The good reasons were the lack of clear military goals, the vulnerability of United Nations aid-workers and peacekeepers, who in much of Bosnia were making horror less horrible, and signs that the Serbs themselves wanted a way out of the war. Instead, the world decided in December to give the peace plan of its negotiators, Lord Owen and Cyrus Vance, another taking its toll in Serbia and Montenegro (all that remains of a no-longer-recognised Yugoslavia). The threat of outside force, though ill-defined, has not gone away. To many nationalists in the capital, Belgrade, war has come to look too costly a route to the goal of Greater Serbia, a new state embracing the Serbs of Bosnia, Croatia and Serbia. Mr Milosevic seems to want to persuade the Bosnian Serbs of this, just as he persuaded the Croatian Serbs of it last year.

No withdrawal yet

This dim but discernible chance for peace presents the world with the opposite problem of the one last autumn. Unless Serbia begins again to misbehave, the temptation for the world will be to heave a sigh of relief and begin to disengage, leaving ex-Yugoslavia to its self-inflicted misery. That would be disastrous. Pressure for a just peace, including military pressure if need be, has to be kept up. If the Serbs do again misbehave, the world must be ready to enforce its threats against them. Croats and Muslims, who have been hitting back against the Serbs, have to be convinced they have more to win by negotiation. Nothing is yet certain, least of all whether the Bosnian Serbs and their self-styled parliament, despite their belated acceptance of the Owen-Vance plan, can really be counted on to live by it in earnest and begin to negotiate its details (see page 45). Big issues about land and people, the stakes in this war, remain

1H11(0NUMIQIJANUARV ZTRU 199\$
chance. That gamble may just maybe be paying off. In Geneva earlier this month, Slobodan Milosevic, the Serbian president, and Radovan Karadzic, the leader of Bosnian Serbs, agreed in principle to the Owen-Vance plan, as did the Croats and Muslims. This plan would save Bosnia, legally, from dismemberment by splitting it into ten provinces. In three each of these, Croats, Muslims or Serbs would predominate, leaving the capital, Sarajevo, to be held in common as the seat of a weak central government. At the same time, the leaders of Croatia and Serbia agreed to meet again to try to settle their differences over the future of the Serb enclaves in Croatia.

Talk costs little. This war has produced countless ceasefires and broken agreements. Is this one different? There are reasons for thinking it may be. Despite confusing flare-ups between Croats and Muslims, an end to the worst fighting in Bosnia looks nearer than it did. Nor is agreement impossible between Croatia and Serbia (which, though not fighting each other, are not technically at peace).

Nothing in the Balkans is sure but the main reason behind the hopes for peace is the apparent change in Serbia. Much as he did last year at the end of Serbia's war with Croatia, Mr

Milosevic seems to have concluded that a settlement is in his country's best interest. Diplomatic and commercial isolation is open. There is no agreement on the map. Under the plan, the Bosnian Serbs would give up much of what they have seized, and would not be allowed to control the northern corridor that at present provides a link to one of their strongholds. Croats and Muslims have land claims against each other. About 1.5m Bosnians have fled their homes in the war. Resettling even some of them will be a long, perilous business that risks new fighting. If guns fall silent in Bosnia, the madder nationalists in Serbia could try to start trouble in Kosovo or Macedonia. The extent of political rights for the Serb enclaves of Croatia has yet to be settled.

All of this suggests that the world is about to get more, not less, drawn into the Balkans. More than 20,000 UN peacekeepers are in the middle of the puzzle. The West's military men are arguing with good reason that these troops should either be pulled out or reinforced and given a broader remit to fight back. If peace does come, it will need years of UN policing. If peace is held up by local Serb militias, the world will be obliged to hit back at them. If it becomes clear that the change in Belgrade is more for show than for real and that Mr Milosevic's search for peace is merely a pause for breath between punches, then the outside world-meaning Bill Clinton and his European partners-will have little choice but to take the military action they have so long balked at. They will have to try to knock sense into the Serbian president, talk having failed.

A nation of buggers

HE whole scandal could so easily have been avoided. Had Prince Charles sent a leakproof friend into one of London's half-a-dozen counter-surveillance shops, he could have acquired enough spying and anti-spying equipment to foil even the most determined retired bank manager with time on his hands and earphones on his head.

If you have something to hide, or if you are merely paranoid, then technology is on your side. You can buy telephone encryptors, fax encryptors, scram-

blers for walkie-talkies and telexes-and ing advice on personal protection (many bug-detectors galore. A briefcase-sized employees have backgrounds in the security services) and selling self-help devices can locate a bug to within six inches along ten miles of telephone line; tapes. One of these tapes is intriguingly a miniature anti-bugging kit, worn in the entitled "ubionic briefcase".

pocket, vibrates discreetly "whenever The anti-spying business seems to be you enter a location where your privacy recession-proof, thanks to the growing might be compromised. As demand for information, advances in per nullifier incapacitates unwanted eavesdropping technology and the tape recorders and microphones. proliferation of terrorism. About half the

Why not get one step ahead of the spy shops' customers are foreigners, with position, though? The best way to stop Arabs and representatives of third-world people monitoring you is to monitor governments sporting the fattest wallets. them first. You can buy miniature cameras designed to take photographs of businessmen and journalists to landowners, around corners, briefcases with hidden who seem to find night-vision goggles video cameras, braces wired up to a bug, particularly useful in the war against microphones capable of eavesdropping poachers.

on conversations a mile away. The big Even if the Prince of Wales is too hit on the market at the moment is a foggyish for these electronic gizmos, he "truth phone". If the advertisements are could still pick up something useful. The to be believed, it detects lies by measuring shops do a nice line in revenge literature, ing levels of strain in the voice. The shops including George Hayduke's "Get Even: sell expertise as well as equipment, offer- The Complete Book of Dirty Tricks."

ARTS, BOOKS AND SPORT

A bleeding poet

OR the first time in almost a decade, an English poet stands a good chance of winning the Whitbread prize, the literary award that ranks second only to the Booker in popular esteem in Britain. Unlike the Booker shortlist, which is confined to novelists, the Whitbread shortlist takes in writers of different categories of books—first novel, children's book, biography and so on.

The poet is Tony Harrison, and if he wins on January 26th it will represent deserved public acclaim for one of today's most unusual writing talents. Much of his poetry is written not for the printed page but for the theatre and television. And he is a writer who concentrates on public themes.

One example is the dehumanising effects of war, in his television poem *The Gaze of the Gorgon* (his Whitbread collection); another is man's capacity to misuse scientific discoveries, in a poem for the theatre, "Square Rounds". Asked why he is so interested in public poetry, he replies:

When I was growing up in the 1950s, poets seemed too concerned to explore their own consciousness. The range of dramatic poetry has always been far greater than that of the short lyric, which was a kind of norm when I was just beginning. The best poetry I knew happened to be in plays—the Greeks and Shakespeare, for example.

Mr Harrison's enthusiasm for public themes also came out of a simple need to 't Bloodaxe Books; 80 pages; 512.95 and £5.95 paperback THE ECONOMIST JANUARY 23rd) 1993

black/curved from Kuwait back to Iraq communicate. He was born in Leeds in Yorkshire, and his father, a baker, was a man of few words. In this non-bookish household, young Harrison grew up with a passion for words which was sometimes frustrated at Leeds Grammar School, where he was a classics scholar. His English master at the school refused to let him read his poetry out loud in the classroom because of his working-class accent. He would have to learn how to speak 'properly', he was told. In later years, and as Mr Harrison acquired stature and confidence as a poet, he became determined to understand the reasons underlying this rebuff at school. He explored the tensions between the dialect and the accent of the northerners he grew up with and a literary establishment that sought to impose its own standards of gentility and correctness.

I hear many young actors delivering their lines in a Gloucestrian fashion. And I say to them: 'Where are you from? And when they say, "I'm from the north of England", I say, 'Let me hear the voice you had before you went to drama school? And in that voice there is a richer engagement, a more sensual engagement, with language.

Mr Harrison's efforts to bring new dignity to northern speech in the theatre have included northern versions of the medieval Mystery plays and of Aeschylus's *Oresteia*, in which the chorus sounded to one critic 'like 15 Arthur Scargills'.

Mr Harrison's greatest model has always been Greek drama. He particularly likes the image of a theatre in the open air, with plays staged in the full light of day, where actors and audience are seen by the same light, provided not by a lighting system but by the sun. The Greeks in their tragedies, he says, looked unflinchingly at the worst they knew about life.

The subject matter of the Greek tragedies could not have been darker, but unless you come to terms with dark subjects, there is no measure of life at all." When people today see reality from Somalia, Bosnia or elsewhere on their television screens, he says, they watch only as much as they can bear to look at, and that is often not a lot.

Mr Harrison's "The Gaze of the Gorgon" includes "The Cold Coming", a controversial long poem spoken in a deadpan tone by the charred skull of an Iraqi soldier who was killed in the retreat (the so-called "Turkey shoot") from Kuwait City at the end of the Gulf war. This is Mr Harrison at his most pugnacious, inveighing against the triumphalism of the victorious and attacking the idea that war can ever be a solution to mankind's problems because, he believes, war merely breeds war. But when asked whether poetry could be a force for good, Mr Harrison balked at the simple-minded idea behind such a question. Poetry was different from the kind of public involvement that manifests itself in demonstrations on the street. How was it different though?

It's something to do with its apparent uselessness. There is something about the act of writing poems which seems futile in the face of Phantom bombers. A poem engages on a different level. It reminds us of those other feelings we neglect in order to concentrate on destroying others like ourselves whom, for the purpose of the exercise, we call enemy or less than human. Meaning, of course, less than us.

I

...I

THE ECONOMIST IANUARY 23RD1993

The

Economist

r'

Burn, Lenln, burn

FROM OUR MOSCOWCORRESPONDENT

UITE why the ten heads of govern-

ment ofthe Commonwealth ofln-

dependent States were bothering

to go to their summit in Minsk on janu-

ary 22nd is a mystery. Ukraine guaran-

teed nothing would be achieved by say-

ing beforehand it would not sign the

Commonwealths new charter. And now

the most attractive reason for the non-

Russian bits ofthe ex-Soviet Union to be

good members ofthe Commonwealthu

access to Russian oil at silly prices-is

about to evaporate.

The chart shows how

Russials oil production has

fallen. During1992, Russia

just managed to maintain

its exports to non-Com-

monwealth countries (in

order to earn foreign ex-

change), and the level ofits

oil sales within Russia.The

Commonwealth lost out.

Pressure on the avail-

able oil will be greater this

year. Russia's outpyt is ex-

pected to fall by another

11% during 1993. The gov-

ernment is having trouble

supplying Russian needs:

the Primorye region, around Vladivos-

tok, says it has only two or three days,

supply of oil in stock. It is hijacking oil

destined for Kamchatka in order to keep

its heating on.

Against this gloomy background,

Russia is negotiating new trade agree-

ments with each of the ex-Soviet states. A

deal signed between Russia and Ukraine

gives the others an idea of what to expect.

Ukraine said it needed 45m tonnes of

oil; Russia reluctantly agreed to supply

20m tonnes (down from 36m tonnes in

Oil production

I'VI tonnes

Goskomxtal

Declining asset

ex-Soviet Union

.mhminary

1992), plus anything Ukrainian workers

might be able to scrape out of Russia's

30,000 defunct oil wells.

The other republics will discover that

negotiating a quota for oil deliveries is

only the first hurdle. Russia is keen to lift

the price it charges for such oil closer to

world market prices. Petrol prices in

Moscow were increased by 50% on janu-

ary 20th, to 48 roubles per litre (about 38

cents per American gallon). Russia also

intends to start charging tariffs on oil

sales to Commonwealth

members this year. (Tariffs

are already being charged

on all exports of raw materials to non-Communist wealth countries.) 4

The government of the ex-Soviet republics might learn from Armenia, where the fuel crisis is already severe. Azerbaijan has stopped supplying its neighbour, because of the dispute over Nagorno-Karabakh. Russia has tried to go on supplying Armenia with oil and gas, mainly because some important bits of the ex-Soviet Union's military industry are there. However, Georgia is commandeering most of the Russian fuel on its way to Armenia, because it, too, is short.

Freezing Armenians have started burning their libraries: special preference is being given to complete works of the Classics of Marxism-Leninism. Reports the official Armenian news agency. But, even in the former Soviet Union, the supply of such combustible classics is finite.

650

600

550

500

450

400

350

300

250

200

'f

1965 70 75 80 85 90 93

Sources (enlarge 10! Global Energy Studies:

?Esnmzle

After Saddam

The West needs a policy for a set of problems, not just for a tyrant. H E end of the episode? Maybe. With the offer of an inauguration-day ceasefire and the apparent return of Iraq's compliance with the outside world's demands, the bombs may stop falling on Iraq for a while. But the end of the Iraqi problem? No. Even if Saddam Hussein were to vanish into the desert air tomorrow, which he won't, Iraq, and a cluster of other problems affected by it, will be around for a long time to come. The West needs a long-term policy to deal with them.

It is at least now plain that retaliatory air strikes of the kind delivered between January 13th and 19th do not amount to a policy. Described by one of George Bush's spokesmen as a spanking, the attacks have proved, in the best of schoolmasterly traditions, to hurt the spankers more than the spanked. Mr Hussein has been strengthened by the bombing. The alliance that came together to kick him out of Kuwait, and now seeks to contain him, has been weakened (see page 37).

The trouble with air strikes is that, unless they are carried out on a gigantic scale, they cannot break Mr Hussein's hold on power; even six weeks of allied bombing two years ago failed to get rid of the Iraqi tough guy. Bombs can damage missile sites and airfields and factories, but the value of inflicting that damage is at present small and has to be set against the cost: the boost given to Mr Hussein's personal position. A fortnight ago Iraqis were growing ever more discontented with the hardships and privations of life in a pariah state under severe economic embargo. Today their discontent is directed even less at the man responsible and even more towards the West. This is not a triumph of policy.

Iraq's change of mood is worrying not just because it has probably postponed Mr Hussein's departure. A coup may anyway prove to be a bittersweet event—the joy at seeing Mr Hussein go being mixed with fears about a successor who will almost certainly be a graduate of the Saddam Hussein school of advancement-through-brutality. More worrying is the lollipop given to anti-western feeling in the Middle East. The air strikes have enabled Mr Hussein once again to paint himself as the one that will mean more help for Arab economies, more access to western markets. It will mean that the West should be true to its principles, and thus ready to lean more heavily on its autocratic allies to introduce democracy. It may also mean more only man who dares to take on the West and withstand its wrath. It is a message that strikes a chord among Iraqis, even though they have to suffer the consequences.

It also strikes a chord in other parts of the region, especially among those attracted by Islamic fundamentalism. Mr Hussein is no friend of fundies. He fought a long and bloody war against Iran, presides over a secular party, and uses appeals to Islam cynically to promote his claim to the leadership of the entire Arab world. This is a claim that gladdens the hearts neither of other Arab leaders nor of the mullahs in Tehran. Both groups are delighted that his ability to wage war has been so much reduced. They are not delighted that he is still able, through his defiance of the West, to capture the imagination of dispossessed and disappointed Arabs, so madly of whom have been let down by corrupt and incompetent leaders. For them, the last remaining source of hope seems to lie either in "strong" men like Mr Hussein or in radical Islam—or in both.

Eye on all the balls

Realisation of this lies behind the decision of several Arabs in the anti-Saddam alliance to break step with their western friends this week; they are more afraid of fundamentalism than they are of Mr Hussein. The West should take note. It needs a policy that will contain Mr Hussein (or his successor, if he has threatening ambitions) without at the same time stoking up the fires of fundamentalism, undermining friendly regimes and weakening useful alliances. Or, to put it another way, it needs a policy for expansionist tyrants and for fundies. Many of the elements of that policy are in place: the anti-

Saddam alliance, blessed by the United Nations; the attempt to limit nuclear proliferation through inspections; the Arab-Israeli peace talks, promoted by America. The bit that is missing is an effective response to fundamentalism. This has to be made up of several parts, some economic, some political, all designed to show Muslims in general, and Arabs in particular, that their values can coexist with western ones. action in defence of Muslims in Bosnia, more support for Muslim-but-secular places like Turkey. Without a coherent set of policies along these lines, a Middle East mess will test incoming American presidents for years to come.

THEY FCONOMIST JANUARY 13111) 1993

Rape goes to war

VEN-HANDED observers of the war

in Bosnia say atrocities have been committed by all sides. The observers are right, of course: Serbs, Croats and Muslims have all murdered, tortured and raped. But Serbs have won a particular reputation for brutality towards women.

Evidence that rape by Serbian soldiers has been carried out in an organised or systematic way was published by Amnesty International on January 1st. The evidence is consistent with findings in an annual human-rights report made by the State Department to Congress on January 19th. The evidence also tends to support a confidential interim report made to the European

Community's Council of Ministers, which was leaked to the press earlier this month. The European report said the number of Muslim women raped was at least 20,000, and that the Serbs are using rape as a weapon of war"; the American report said that the cruelty against Bosnian Muslims by Serbs dwarfs anything seen in Europe since Nazi times?

How many women have been raped and attacked? How many have been forcibly made pregnant by Serbian soldiers? The numbers are impossible to know. The Amnesty International report says that difficulties arise from the fact that the issue of the rape of women... has been widely used as a propaganda weapon, with all sides minimising or denying the abuses committed by their own forces and maximising those of their opponents." Victims are often reluctant to say they have been raped, even once they reach safety: Some women, it seems, feel they must obliterate the experience from their memory; others feel degraded and ashamed."

So estimates must be treated with caution. What is certain, says Amnesty International, is the existence of Serbian places of detention in which may in effect be brothels, where sexual humiliation and rape have been carried out by Serbian soldiers with the apparent encouragement of their commanders".

(Some reports were received by Amnesty International of male prisoners being forced to perform sexual acts with one another, but the reports of such abuse are few compared with the reports of rape.)

Rumours of warfare-by-rape in Bosnia began circulating in early 1992. Outsiders should not have been surprised: such brutality is an extreme version of a pattern of warfare the Serbs established first in Kosovo in 1990. Helsinki Watch, a human-rights group, sent a team to Kosovo in 1991 to look into what the Serbs had done. It reported that the Serbian government has blatantly and systematically violated the most basic tenets set forth in international human-rights documents. Serbian authorities in

Kosovo are responsible for the torture and killing of ethnic Albanians in detention? Had the world been paying attention then, some of the horrors of Bosnia might perhaps have been prevented.

enewed fighting throughout counny

Western diplomats in Luanda say a cease-fire will top the agenda at talks between MPLA and UNITA military leaders scheduled to take place in Addis Ababa, Ethiopia, Jan. 27. They add that the MPLA has backed down on its refusal to discuss political issues - apparently because of UNITA's military advances.

The United States began giving military support to UNITA in response to massive Soviet support for the ruling Popular Movement for the Liberation of Angola (MPLA) and the intervention of Cuban troops shortly after independence in 1975. After the signing of the Bicesse peace accords in May 1991, the Bush administration indicated it would establish formal diplomatic ties after September elections. The US delayed recognition after the poll, the first democratic elections in Angola. The MPLA won a decisive majority in parliament, but Dos Santos just failed to achieve the 50 percent required in the presidential ballot to avoid a runoff. UNITA leader Jonas Savimbi rejected the results, charging the poll was fraudulent, and renewed the fighting.

The collapse of the peace process since the vote - and the country's steady descent into an undeclared civil war - has focused new attention on Angola.

Neither side can win

After two weeks of fighting in which UNITA has made significant gains in the central and northern provinces, the war appears to have reached a precarious stalemate. UNITA forces have begun to encircle the capital and cut off Luanda's main water supply Jan. 24.

"Neither the government nor UNITA can win the war," said Lopo do Nascimento, a senior Dos Santos adviser, during a visit to South Africa Jan. 25.

Even if UNITA succeeds in taking over the oil and diamonds - two industries vital to Angola's economy - and surrounds the capital, it will not alter the position of the UN that the September elections were free and fair, he said. "But we accept that if both parties fail to reach agreement by the end of April, the international community will withdraw and the war could drag on."

Mr. Crocker, now a professor at Georgetown University, says the US should remain engaged in Angola but has to guard against playing the recognition card without bolstering the democracy process.

"Recognition is one lever but we should get something for it. Angola is a rich country. We should see our involvement through. We seem to be the only ones who can make a difference," he says.

US diplomats also point to the dismal human rights record on both sides and the apparent reluctance of Dos Santos to condemn political killings by armed civilians with the connivance of his special police.

"Timing is essential," says a congressional aide close to US policy on Africa. "You don't send a signal that keeps the war going. We should have recognized the

MPLA in October when UNITA pulled out.
Now we have a different set of conditions."

THE CHRISTIAN SCIENCE MONITOR

Forging New
Ties Across the
Mediterranean
PARIS

beaches last year after short but treacherous boat rides from Morocco, Europeans confronted a troubling image.

"We discovered that, like the United States, we too have our wetbacks," says Juan Miguel Moratinos, director of the Spanish Foreign Ministry's Institute for Cooperation with the Arab World.

When hundreds of illegal immigrants showed up on Spain's Suddenly the Mediterranean didn't seem so Text by

blg. It resembled more the RID Grandez Howard LaPranchi

The arrival of North Africans in Spain last 5m writer of year added to intense concerns among The Christian Science Monitor

French, Germans, and others about migration Photos by from the South and the East and its impact on R. Norman Matheny

a Europe with economic woes of its own. 51w phmogwphe, of

It is not so much the magnitude of North The 0mm" Science Moniker

. A _

African immigration that 15 causing Europeans

to focus on the Mediterranean's southern rim - the numbers pale in comparison to what the US faces from Mexico - as it is worried over the

regions potential for instability and what a major blowup might produce.

Unemployment touches a high percentage of North Africa's youthful population (more than a quarter of Algeria's 26 million people are out of work) while Islamic fundamentalism continues to rattle the region.

#

tilt the FIS [Algeria's outlawed Islamic fundamentalist political party] ever takes over in Algeria, we're certain to have 1 to 1.5 million Algerians arrive on French shores seeking refuge," says an economics specialist on the Maghreb (Morocco, Algeria, Tunisia, and Libya) in Paris. Meanwhile, Europeans and North Africans have watched the US, Mexico, and Canada work out a North American free-trade zone bigger than the European Community's new single market. For the nations of the western Mediterranean - Italy, France, Spain, and Portugal in the North, and the Maghreb countries in the South - it was time to reexamine the nature of their relationship. By following a policy of stabilizing Mexico, the US is acting much more intelligently than Europe is toward the Maghreb," says Abdelmadjid Bouzidi, economic adviser to Algerian President Ali Kali. "The old relations in this region must be replaced with a partnership." Most North Africans say their region is not seeking handouts from its wealthy neighbors, but a partnership recognizing mutual interests. "The US is developing a coherent strategy with its south, but we don't see anything like a strategy coming out of Europe," says Nadji Safir, a sociologist at the University of Algiers. He says Europe will only begin seriously dealing with the Maghreb when it decides, as the US has with Mexico, that it must do so out of its own interest. The US wants to strengthen Mexico as a "buffer country" against the South beyond it, says Mr. Bouzidi. Yet even though Algeria already faces an illegal immigration problem from African countries south of it, he adds, Europe is not really working to strengthen its southern neighbors. Europe closes itself off!

The problem, some European analysts say, is that Europe is tempted to close itself off from the South out of fear - and that "self-interest" arguments don't readily overcome that fear. "Where are the compelling interests?" asks Arab and Maghreb specialist Remy Leveau of the Paris Institut d'Etudes Politiques. "For manual laborers? We don't need them any more. For energy? There are other suppliers. A market for our goods? Interesting, but mostly long-term potential. To stop the flow of immigrants," he concludes, "unlike the Americans and the millions of Mexicans? There are no millions of Maghrebins coming, only the fear of millions." (Experts estimate that tens of thousands of illegal immigrants try to enter Europe from the Maghreb each year, not hundreds of thousands as in North America.) The fears exist on both sides as stubborn vestiges of the colonial period, says Salah Hannachi, Tunisia's secretary of state for international cooperation. "On the south, there is still a post-colonial complex that varies in intensity depending on the country and current events," he says. "In Europe, the advancing sentiment is that the Maghreb is a very foreign, even hostile world and that we're back in the era of war between the cross and the crescent." (Islamic groups are gaining influence in North Africa - especially Algeria. Algeria canceled free elections last year when it seemed certain the Islamists would win.)

Historical links

The way out of this syndrome, Mr. Hannachi

adds, is a realization that "what links us is not just geography, but history and civilization."

He points to a distant past, when the Roman Empire circled the Mediterranean and considered the Sahara Desert and the Danube and Rhine rivers its outer limits. The deep, historical ties in this ancient region make the stakes even higher than those in North America, as well as making the pursuit of mutual interests more difficult.

Mexicans have complaints with the y(mrmis, says Benjamin Stora, director of the Maghreb-Europe Institute at the University of Paris, but unlike their North African counterparts, they were never colonized by their northern neighbors.

Also, the western Mediterranean marks the border between the Orient and the West. uThe Maghreb is Islamic," Mr. Stora notes, ttwith all the demons that conjures up in the West. The US and Mexico are both Christian cultures," he adds, uand that gives them a unifying, rather than divisive, eivilizational base."

The challenges are great, but more optimistic observers insist that the regions common destiny leaves little choice. nChristians and Muslims are both people of the book," says Mr. Safir. uThat should be seized on as an invaluable element of understanding and basis for cooperation."

Pogo Tense After

hooung

?position leaders urge return to

ialogue with Army

mmumullxxmmmmmtmummxmmmlmummmmluxmmmmumnmumlmxmw

By Robert M. Press

Staff writer of The Christian Science Monitor

NAIROBI, KENYA

F I WHE police killing of at least 12

people in an anti-government

demonstration in Togo Jan. 25 is

the latest in a series of Clashes between

civilian reformists and security forces in

the West African state.

Speaking with the Monitor by phone

Jan. 26, civilian opposition leaders ex-

pressed the hope that the new Clinton

administration would help break an 18-

month deadlock between military head

of state Gen. Gnassingbe Eyadema and

multiparty reformists, including Prime

Minister Joseph Koffigoh.

Leopold Gnininvi, who heads a coali-

tion of opposition political parties in

Togo, said bluntly:

tWe are going to have

a civil war.n He said he

was trydng to reach

President Clinton to

ittell him to help us to

avoid becoming an-

other Somalia,w where

civil war has caused

widespread death and

anarchy over the past

two years.

Angry Togolese

youth have erected

barricades downtown

and in some opposi-

tion stronghold neigh-

borhoods in Lome,

the capital. They called on residents of

Lome to observe a 48-hour general

strike, staxting Jan. 26.

tWe decided this morning to go to the

barricadesf said one young opposition

activist. uWe can't go backward. They

can kill us all."

tltls an explosive situation," said

Stephane Koudossou, an employee of a

private school in Lome.

Togo, a 'sliver-shaped country be-

tween Ghana and Benin, represents one

of the worst examples of transition from

dictatorship to democracy in Africa.

Following a number of violent con-

frontations between police and anti-gov-

ernment demonstrators in 1990 and

1991, General Eyadema reluctantly

agreed to a national conference, held in

August 1991. But reformists quickly

took control of the conference, naming

a new prime minister and claiming most

of the powers Eyadema held.

Since then, the Army and police have

been reclaiming Eyadema's power.

In December 1991, the Army at-

tacked the prime ministers office, kill-

ing at least 12 people. Mr. Koftigoh es-

aped without injury.

Early in 1992 a Togolese human rights advocate was assassinated. Then on Oct. 22, 1992, the Army, in another show of force, invaded the interim Parliament set up by the national conference, roughing up members. The shooting Jan. 25 by police came after thousands of Togolese were turned away from a scheduled meeting between a French/German delegation and Togolese civilian opposition leaders. A portion of the crowd regrouped at a public plaza.

Some members of the crowd were white, to symbolize peace, and carried candles. But some youths in the crowd reportedly were armed with sticks and knives and manned a barricade of burning tires.

Senior French and German officials, visiting Togo at the time of the killings, condemned the violence.

Eyadema also has condemned the shootings. The government reportedly claimed only three protesters and one policeman were killed, and that police opened fire only after one of their colleagues had been seized by demonstrators. But an eyewitness told the Monitor the police opened fire on the crowd without provocation."

French Cooperation Minister Marcel Debarge reportedly told Radio France Internationale that at least 20 people had been killed in the shooting. He and German Deputy Secretary of State for Foreign Affairs Helmut Schaef-

fer had come to Togo to help defuse the mounting political tensions.

Koffigoh, appointed as prime minister by a national conference of opposition activists in mid-1991, told the Monitor: "I have the feeling the world has other things to do" than to help Togo. "When peace is lost, even in a small country like Togo, the entire world community is affected," the prime minister said.

Koffigoh stressed that the need for "dialogue" in Togo was more urgent than ever. There has to be a minimum of "reconciliation" between the military government and the opposition, he said, in order to hold elections. '

A civil war in Togo would gain little, he said. After the war there would still be a need for dialogue.

Mr. Gnininvi claims Eyadema uses force, not dialogue, to stay in power. "If there is someone who points a revolver at your neighbor, that's not dialogue," he added, referring to attacks Eyadema's Army and police have made on civilian opponents.

Another opposition leader, Yawo Agboyibo, said: "It is not by violence that we will save Togo. There is no other solution" than dialogue. But the dialogue so far between Eyadema and the opposition has been superficial, he claims.

Bight of Benin

